



**On approval of the Rules for selecting foreign organizations managing pension assets of the unified accumulative pension fund, including the requirements thereto, when they are instructed to take actions required for the management of pension assets of the unified accumulative pension fund**

*Unofficial translation*

Resolution of the Board of the National Bank of the Republic of Kazakhstan dated June 15, 2020 No. 78. Registered with the Ministry of Justice of the Republic of Kazakhstan on June 30, 2020 No. 20909.

**Unofficial translation**

In accordance with subparagraph 80) of part two of Article 15 of the Law of the Republic of Kazakhstan "On the National Bank of the Republic of Kazakhstan", to ensure the efficiency of management of pension assets of the unified accumulative pension fund, the Board of the National Bank of the Republic of Kazakhstan **HEREBY RESOLVES:**

**Footnote. Preamble – as amended by the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated 23.04.2024 № 23 (shall come into effect upon expiry of ten calendar days after the date of its first official publication).**

1. To approve the attached Rules for selecting foreign organizations managing pension assets of the unified accumulative pension fund, including the requirements thereto, when they are instructed to take actions required for the management of pension assets of the unified accumulative pension fund.

2. To recognize as invalid the resolution of the Board of the National Bank of the Republic of Kazakhstan dated September 27, 2017 № 173 "On approval of the Rules for selecting foreign organizations managing pension assets of the unified accumulative pension fund, including the requirements thereto, when they are instructed to take actions required for the management of pension assets of the unified accumulative pension fund" (registered in the Register of State Registration of Regulatory Legal Acts as № 15947, published on November 9, 2017 in the Reference Control Bank of Regulatory Legal Acts of the Republic of Kazakhstan).

3. The Monetary Operations Department, in accordance with the procedure established by the legislation of the Republic of Kazakhstan порядке shall ensure:

1) jointly with the Legal Department, state registration of this resolution with the Ministry of Justice of the Republic of Kazakhstan;

2) placement of this resolution on the official Internet resource of the National Bank of the Republic of Kazakhstan after its official publication;

3) within ten working days after the state registration of this order, submission to the Legal Department of information about implementation of measures stipulated by subclause 2 ) of this clause and clause 4 of this resolution.

4. The Information and Communications Department – press center of the National Bank shall ensure within ten calendar days after the state registration of this resolution, sending its copy for official publication to the periodical press.

5. Control over the execution of this resolution shall be entrusted to the supervising Deputy Chairman of the National Bank of the Republic of Kazakhstan.

6. This resolution shall come into force upon expiry of ten calendar days after the date of its first official publication.

*Chairman of the National Bank  
of the Republic of Kazakhstan*

*Ye. Dossayev*

Approved  
by the Resolution of the Board of  
the National Bank of the  
Republic of Kazakhstan  
dated June 15, 2020 № 78

## **Rules for selecting foreign organizations managing pension assets of the unified accumulative pension fund, including the requirements thereto, when they are instructed to take actions required for the management of pension assets of the unified accumulative pension fund Chapter 1. General Provisions**

1. These Rules for the selection of foreign organizations managing pension assets of the unified accumulative pension fund, including requirements for them, when instructing them to perform actions necessary for managing pension assets of the unified accumulative pension fund (hereinafter referred to as the Rules) have been developed in accordance with the Social Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan "On the National Bank of the Republic of Kazakhstan" and shall determine the procedure for selecting foreign organizations managing pension assets of unified accumulative pension fund ( hereinafter referred to as the Fund), including requirements for them, when instructing them to perform actions necessary for managing the pension assets of the Fund.

**Footnote. Paragraph 1 – as amended by the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated 23.04.2024 № 23 (shall come into effect upon expiry of ten calendar days after the date of its first official publication).**

2. The following basic concepts shall be used in the Rules:

1) improved index asset management – type of management, in which the value of the variability of the yield deviation (tracking error) is from 0.5 (zero point five tenths) to 2 (two) percent inclusive. With improved index management, a moderate deviation from the main indicators of the benchmark portfolio is assumed;

- 2) information coefficient (information ratio) – ratio of excess returns to the variability of the yield deviation (tracking error);
- 3) specialized system – software and (or) a special Internet resource that has a base of investment and (or) analytical data required to analyze the activities of external managers;
- 4) specialized mandate – a mandate transferred to the external management for the purposes of diversification of assets by using the investment strategies that contemplate unique investment approaches at the level of separate classes of assets, types of management, countries and regions;
- 5) diversification – placement of pension assets in various financial instruments to reduce the risk of their loss in accordance with the requirements established by the National Bank of the Republic of Kazakhstan;
- 6) management control – the ability of one legal entity to directly and (or) indirectly determine decisions and (or) influence decisions made by another legal entity in connection with participation (ownership) in such a legal entity;
- 7) exchange market – an aggregate of relations using the trading systems of the auction organizer, which provides organizational and technical support for the auction;
- 8) global mandate – a portfolio whose investments go beyond one country (market, region );
- 9) investment due diligence - a complex of analytical measures aimed at a comprehensive check and assessment of the effectiveness of the investment activities of the external manager ;
- 10) institutional investor – a legal entity, carrying out investment of money in the financial instruments;
- 11) group of companies – legal entities that are collectively under the management control of one legal entity, or legal entities, one of which has management control over another legal entity;
- 12) assets under advisory service - assets under the management of an external manager, on which the external manager advises the client in terms of investment asset management;
- 13) mandate - a portfolio with specific investment characteristics;
- 14) margin account - an account for transactions with financial derivatives, opened with a clearing organization and used for the purpose of placing collateral for transactions and settlements on transactions with financial derivatives;
- 15) operational due diligence - a complex of analytical measures aimed at a comprehensive checking and assessing the effectiveness of the operating activities of the external manager;
- 16) regional mandate - a portfolio whose investments are concentrated within one country (market, region);
- 17) portfolio manager - the person who is responsible for the management of clients' assets;

18) external manager – a foreign organization, including a bank, created in accordance with the legislation of a foreign state, specializing in the investment management of clients' assets and operating in the international financial markets;

19) external management – type of pension asset management in which pension assets are transferred to investment management by an external manager;

20) external transit management - a type of asset management in which pension assets are transferred to an external transit manager in order to minimize risks due to changes in the structure of transferred assets before the selection and (or) transfer of assets to an external manager according to the appropriate mandate;

21) external transit manager - a foreign organization, including a bank, created in accordance with the legislation of a foreign state, specializing in external transit management of clients' assets and operating in the international financial markets;

22) transit period – a time period applied to the portfolio, established in accordance with the Rules in order to bring it in line with the parameters established by the investment management agreement;

23) the authorized subdivision – a subdivision of the National Bank that manages and monitors pension assets of the Fund;

24) management of the National Bank – Chairman of the National Bank, Deputy Chairman of the National Bank supervising the authorized subdivision;

25) level of excess returns– the difference between the actually achieved level of return and the level of return of the reference portfolio;

26) forex operations – buying and (or) selling foreign currency on the exchange and over-the-counter markets.

**Footnote. Paragraph 2 as amended by the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated 23.04.2024 № 23 (shall come into effect upon expiry of ten calendar days after the date of its first official publication).**

3. The total allowable volume of pension assets of the Fund transferred to external management to one external manager shall be no more than 10 (ten) percent of the volume of the portfolio of pension assets of the Fund in foreign currency.

4. In case of exceeding the limit specified in clause 3 of the Rules, including in the event of a merger of two existing external managers, the authorized subdivision will eliminate the non-compliance within 3 (three) months from the date of such exceeding.

5. Pension assets of the Fund shall be transferred to the external management in order to:

1) reduce the level of risks associated with types of management;

2) increase the returns of the managing the pension assets of the Fund through the use of experience, analytical materials, research and technical resources of an external manager;

3) improve the efficiency of the management of the pension assets of the Fund through the use of expertise and advice in the field of asset management received from external managers;

4) introduce new asset classes for which there is no experience in independent asset management.

6. The choice of the type of management (active, improved index or passive (index)) and the reference portfolio for the external manager shall be carried out in accordance with the objectives of the management of the pension assets of the Fund and the restrictions provided for by the Fund's investment declaration, depending on the market situation.

7. An external manager or external transit manager shall be paid a fixed commission and (or) a commission depending on the results of the management of the transferred pension assets of the Fund in external management or in an external transit management, in accordance with the investment management agreement.

## **Chapter 2. Procedure for selecting the external managers of the pension assets of the Fund, including requirements thereto, when they are instructed to take actions required for the management of pension assets of the Fund**

8. The organization of the procedure for the selecting the external managers shall be carried out by the authorized subdivision.

9. The authorized subdivision shall publish on the official Internet resource of the National Bank, as well as on other information and analytical resources available for potential external managers, information about the planned selection of the external manager, shall compile a list of potential external managers, shall send information to potential external managers.

A mandatory condition for considering the proposal of a potential external manager shall be his consent to the inclusion of condition, stipulated by clause 24 of the Rules, in the investment management agreement.

10. A potential external manager shall submit to the National Bank in electronic form and (or) in hard copy, minimum information requested from the potential external management, in accordance with Appendix 1 to the Rules. It is allowed to receive information from a specialized system by the authorized subdivision.

11. The authorized subdivision shall carry out a comparative analysis of all proposals received from potential external managers, taking into account the mandatory requirements for them, when instructing them to take actions necessary to manage pension assets, stipulated by clauses 12 and (or) 13 of the Rules.

If a potential external manager meets the mandatory requirements thereto, when they are instructed to take actions necessary for the management of pension assets, provided for in clauses 12 and (or) 13 of the Rules, the authorized subdivision shall carry out a comparative analysis of proposals of potential external managers in accordance with the assessment criteria for the comparative analysis of proposals of potential external managers (hereinafter referred to as the Assessment criteria) according to Appendix 2 to the Rules to form a long list of potential external managers (hereinafter referred to as the long list).

When carrying out a comparative analysis of the proposals of potential external managers, it shall be allowed to use the National Bank's own data on the current external manager of the National Bank's gold and foreign exchange assets and assets held in trust by the National Bank.

In order to clarify the information provided by a potential external manager, it is allowed for the authorized unit to send additional inquiries to such a potential external manager. If the potential external manager fails to provide additional requested information, the score for the corresponding criterion shall not be taken into account in the Assessment criteria.

12. To select external managers for global mandates, the mandatory requirements to them, when they are instructed to take actions, necessary for the management of pension assets shall be:

1) experience of working with financial instruments in which pension assets of the Fund are supposed to invest - at least 10 (ten) years, of which at least 5 (five) years of experience in the declared mandate, or if the potential external manager has exclusively similar regional mandates - at least 5 (five) years of experience in regional mandates that amount to at least seventy five (75) percent of the global mandate coverage.

It is allowed to calculate the work experience of a potential external manager, taking into account the work experience of legal entities that are part of a group of companies with him;

2) the total amount of clients' assets under the management of a potential external manager (including assets on consulting services) - not less than the equivalent of 25 (twenty-five) billion US dollars (hereinafter referred to as the US);

3) the total amount of clients' assets under the mandate under consideration, managed by a potential external manager is not less than the equivalent of 1 (one) billion US dollars, or if the potential external manager has exclusively similar regional mandates under management - not less than the equivalent of 1 (one) billion US dollars for regional mandates that are at least seventy-five percent (75) percent of the global mandate.

13. to select external managers for specialized mandates, the mandatory requirements to them, when they are instructed to take actions, necessary for the management of pension assets shall be:

1) work experience of a potential external manager with financial instruments in which the pension assets of the Fund are supposed to be invested - at least 5 (five) years, of which at least 3 (three) years of work experience under the announced mandate, or if the potential external manager has under management exclusively similar regional mandates - at least 3 (three) years of experience in regional mandates that amount to at least seventy-five (75) percent of the global mandate coverage.

It is allowed to calculate the work experience of a potential external manager, taking into account the work experience of legal entities that are part of a group of companies with him;

2) the total amount of clients' assets under the management of a potential external manager (including assets on consulting services) - not less than the equivalent of 1 (one) billion US dollars;

3) the total amount of clients' assets under the mandate under consideration, managed by a potential external manager - not less than the equivalent of 150 (one hundred and fifty) million US dollars.

At the same time, the volume of pension assets transferred to one external manager does not exceed 50 (fifty) percent of the volume of assets in the investment management for the considered mandate, which are under the management of such an external manager.

14. It is allowed to apply of the authorized subdivision to the clients of a potential external manager with a request about the results and quality of client asset management.

15. The conclusion prepared by the authorized subdivision on a long list, containing a comparative analysis of the proposals of potential external managers and recommendations for their selection, is submitted for consideration to the Chairman of the National Bank, who, based on the results of consideration, approves a short list of potential external managers with the most advantageous proposals (hereinafter referred to as the short list) by imposing a resolution to the conclusion of the authorized subdivision.

The authorized subdivision shall hold negotiations with potential shortlisted external managers to improve the terms of the proposals of external managers.

16. The authorized subdivision shall carry out further assessment of the proposals of potential short-listed external managers according to the Assessment criteria to perform comparative analysis of the proposals of potential short-listed external managers as part of investment and operational due diligence in accordance with Appendix 3 to the Rules. If the total points of potential external managers from the short list are equal, the proposal of a potential external manager from the short list who has agreed to localize his office on the territory of the Astana International Financial Center will have an advantage.

17. When conducting investment and operational due diligence, in order to obtain additional information on the procedure for making investment decisions and risk control procedures, it shall be allowed for the authorized subdivision to hold meetings with potential external managers and visit their offices.

18. If a potential external manager, who had not previously had a contractual relationship with the National Bank, is proposed for selection as an external manager, a visit to his office shall be mandatory.

19. The decision on the selection of external managers shall be made by the Board of the National Bank.

In cases of transfer to the legal successor of the external manager of the rights and obligations arising from the investment management agreement in connection with the reorganization of this external manager, as well as in cases of transfer by the external manager of his rights and obligations arising from the investment management agreement to

another legal entity (company) , the selection of these persons as an external manager shall be carried out without carrying out procedures, stipulated by пунктами 9, 10 и 11 of the Rules.

20. If an external manager performing external management of a part of the National Bank's gold and foreign exchange assets and (or) and assets held in trust by the National Bank , under a similar mandate with a positive excess return for a period of at least 3 (three) years, meets the requirements for it, when they are instructed to take actions necessary to manage pension assets established by clauses 12 and (or) 13 of the Rules, then, by decision of the Chairman of the National Bank, his candidacy shall be brought to consideration of the Board of the National Bank as an external manager without carrying out procedures, stipulated by clauses 9, 10 и 11 of the Rules.

21. To reduce the risks of asset concentration in external management within the framework of one mandate (but not one type of management), the number of acting external managers is at least 2 (two) external managers.

22 For the purposes of acceleration the process of selecting external managers, replacement of existing external managers and increase in competition among external managers, the authorized subdivision is allowed forming a reserve list of potential external managers (hereinafter referred to as the reserve list) from among potential external managers from the short list for subsequent approval by the Board of the National Bank.

The authorized subdivision shall monitor the activities of external managers on the reserve list and updates the information annually as part of investment and operational due diligence.

The transfer of the pension assets of the Fund to the external manager from the approved reserve list shall be carried out after the Board of the National Bank makes a decision on his choice as an external manager without carrying out procedures, stipulated by clauses 9, 10 and 11 of the Rules.

23. Activities related to the conclusion of an investment management agreement and further monitoring of the fulfillment of its terms shall be carried out by an authorized subdivision.

24. The Investment Management Agreement contains the following conditions:

1) on the existence of the right of the National Bank to early terminate the investment management agreement in the following cases:

failure by external managers to achieve excess returns on portfolio management in comparison with the reference portfolio;

violation by the external manager of the restrictions established by the investment declaration of the Fund;

amendments to the investment declaration of the Fund;

existence of a resolution of the Board of the National Bank with the submission of a written notice to the external manager and an indication of the date of termination of the investment management agreement;

- 2) on the existence of the right of the National Bank at its discretion at any time to replenish (revoke) pension assets of the Fund, which are under external management;
- 3) on the provision of information to the external manager on the turnover of his staff responsible for the management of the pension assets of the Fund transferred to external management;
- 4) on visits to the external manager by employees of the National Bank and independent auditors for the purpose of verifying account transactions, as well as obtaining additional information about the external manager, the procedure for making investment decisions and risk monitoring procedures;
- 5) on the prohibition of attracting as brokers or counter-partners in transactions with of the pension assets of the Fund transferred to external management, affiliated with an external manager;
- 6) on the responsibility of the external manager for violation of the limit of the expected variability of the deviation of returns (ex-ante tracking error) established in the investment management agreement;
- 7) on the liability of the external manager for possible losses caused to the Fund as a result of negligence, deliberate default or fraud on the part of the external manager;
- 8) on the obligation of the external manager to advise, train or conduct an internship for the employees of the National Bank who manage and monitor the pension assets of the Fund;
- 9) on the obligation of the external manager to submit to the National Bank on a regular basis in accordance with the agreement on investment management of the following reporting :
  - reporting on transactions performed for the previous working day on a daily basis;
  - portfolio assessment (distribution of assets by different classes and types of currencies, portfolio composition at the end of the reporting month, market value of assets at the end of the reporting month);
  - turnovers in the portfolio (a list of all transactions concluded for the reporting quarter, sorted by different classes and currencies, maturity, dividend payment and accrued interest);
  - analysis of portfolio management results (monthly, quarterly and overall portfolio management results in the context of achieved profitability, portfolio risk indicators and the level of variability of the tracking error in comparison with the reference portfolio);
  - a report on the state of the respective markets and their impact on the portfolio and (or) a macroeconomic review;
  - a review of the strategy and an explanation of the most important changes in the portfolio structure;
  - current investment strategy;
  - the contribution of various factors to the portfolio return for active asset management;
- 10) on the implementation by the external manager at the end of each month or on the date of the end of the transit period, the reconciliation of the composition of the portfolio

transferred to external management with the data of the bank (banks)-custodian (custodians) in accordance with the investment management agreement;

11) on the submission by the external manager of information on the operations performed to the custodian bank responsible for the consolidated accounting, no later than the next working day after the approval and completion of the procedures for confirming transactions between the external manager and the broker;

12) on the submission of information by the external manager, documents on the approval procedures for brokers, as well as agents and counter-partners of the external manager;

13) on providing external managers with information about the existence of internal policies and procedures for managing the risks of the external manager, which reduce the risk of abuse and conflicts of interest, including ensuring an equitable distribution of transactions among client portfolios;

14) on the holding of meetings by the external manager with a frequency of once a year with the authorized division to present the results of the management of the pension assets of the Fund, on compliance with investment restrictions, assessment of the market situation and its possible impact on the portfolio and on the implementation of investment transactions with of the pension assets of the Fund;

15) on the submission of information by external managers on the measures applied by the supervisory authorities and participation in court proceedings;

16) on the submission by the external manager to the National Bank of the complete reporting on the portfolio verified with the bank (banks)-custodian (custodians) as of the date of termination of the investment management agreement;

17) on signing an agreement on investment management in the Kazakh, Russian languages and in a language determined by agreement of the parties;

18) on the possibility of making amendments and (or) additions to the investment management agreement with the written consent of both parties.

25. The National Bank, in accordance with the investment management agreement, shall transfer the pension assets of the Fund to external management by transferring money and (or) securities to the accounts of the National Bank with the bank (banks)-custodian (custodians) intended for external management.

26. When transferring the pension assets of the Fund to external management, the transit period shall be taken into account for the formation of the portfolio in accordance with the target parameters established by the investment management agreement. The duration of the transit period does not exceed 15 (fifteen) working days.

27. The pension assets of the Fund transferred to external management shall be kept on the accounts of the National Bank with the bank (banks)-custodian (custodians) and on a margin account with a clearing broker.

28. From the day of the transfer of the pension assets of the Fund to the external management, the authorized subdivision shall conduct daily monitoring of the activities of the

external manager by checking compliance with the restrictions established in the investment management agreement, monitoring transactions made by the external manager, assessing the risk and return indicators of the portfolio in the external management.

29. The authorized subdivision in accordance with the investment management agreement , at least once a year, meets with the external manager or organizes a video or teleconference at which the external manager reports on the results of management, compliance with investment restrictions, assesses the market situation and its possible impact for the portfolio and for investment operations with the pension assets of the Fund.

30. Assessment of effectiveness of work of current external managers shall be carried out based on the methodology of assessment of effectiveness of work of an external manager, provided for in Appendix 4 to the Rules. By results of conducted assessment of effectiveness of work of an external manager as a whole and by classes of assets over the last 3 (three), 5 (five) years and more from the date of commencement of management, taking into account the charged commission, the management of the National Bank shall make an appropriate decision on the replenishment (withdrawal) of the pension assets of the Fund or continuation (termination) of work with this external manager, or bringing this issue to the consideration of the Board of the National Bank.

31. By decision of the management of the National Bank, the withdrawal of the pension assets of the Fund or early termination of the investment management agreement shall be carried out without the procedure specified in clause 30 of the Rules.

32. The report on the results of the management of external managers shall be submitted by the authorized subdivision for the consideration of the Board of the National Bank at least once a year.

### **Chapter 3. Procedure for selecting an external transit manager of the pension assets of the Fund, including the requirements thereto, when they are instructed to take actions required for the management of the pension assets of the Fund**

33. To select an external transit manager, the authorized subdivision shall send a request to potential transit managers to provide information on coverage markets, transit management strategies and service costs by classes of instruments and markets, and analyzes the proposals received.

34. To select an external transit manager, a mandatory requirement for him, when instructing him to perform actions necessary to manage pension assets, is the experience of transit management of portfolios of financial instruments that are subject to transit management - at least 5 (five) years.

Decision on selection of the external transit manager shall be made by the Chairman of the National Bank.

35. Activities related to the conclusion of an investment management agreement and further monitoring of the fulfillment of its terms shall be carried out by the authorized subdivision.

36. The Investment Management Agreement contains the following terms:

1) on the existence of the right of the National Bank to early terminate the investment management agreement in the following cases:

violation by the external transit manager of the terms of the investment management agreement;

decisions of the Chairman of the National Bank;

2) on the existence of the right of the National Bank, at its discretion, at any time, replenish (revoke) pension assets of the Fund under external transit management, if such actions do not affect any outstanding external transit management of the pension assets of the Fund;

3) on the provision of information by the external transit manager on the turnover of his staff responsible for the management of the pension assets of the Fund transferred to external transit management;

4) on visits to the external transit manager by employees of the National Bank and independent auditors for the purpose of verifying account transactions, as well as obtaining additional information on the external transit manager, the procedure for making investment decisions and risk monitoring procedures;

5) on the liability of the external transit manager for possible losses caused as a result of negligence, willful default or fraud on the part of the external transit manager;

6) on the submission by the external transit manager of information on the operations performed to the custodian bank responsible for the consolidated accounting, no later than the next working day after the approval and completion of the procedures for confirming transactions between the external transit manager and the broker;

7) on the submission of information by the external transit manager, documents on the approval procedures for brokers, as well as agents and counterparties of the external transit manager;

8) on the provision of information to external transit managers on the existence of internal policies and procedures for managing risks of the external transit manager, which reduce the risk of abuse and conflict of interest, including ensuring an equitable distribution of transactions among client portfolios;

9) on the obligation of the external transit manager to submit to the National Bank in accordance with the investment management agreement within 10 (ten) business days after the end of the transit period of the following reporting:

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

a report on the results of the external transit of the management of the pension assets of the Fund, including the difference in the transaction execution cost, brokers' commission, market influence, the difference in currency buying and selling rates on forex operations, taxes and lost profits at the date of the end of the transit period;

report on the state of the respective markets and their impact on the portfolio;

a review of the strategy and an explanation of the most important changes in the portfolio structure;

10) on the submission of information by external transit managers on the measures applied by the supervisory authorities and participation in court proceedings;

11) on the submission by the external transit manager at the end of the transit period, of full reporting, verified with the bank (banks)-custodian (custodians), on the portfolio as of the date of completion of the transit period in accordance with the investment management agreement;

12) on the signing of an agreement on investment management in the Kazakh, Russian languages and in a language determined by agreement of the parties;

13) on the possibility of making amendments and (or) additions to the investment management agreement with the written consent of both parties.

37. The National Bank, in accordance with the investment management agreement, shall transfer the pension assets of the Fund to external transit management by transferring money and (or) securities to the accounts of the National Bank with the bank (banks)-custodian (custodians), intended for external transit management.

The transfer of the pension assets of the Fund to an external transit manager shall be carried out for a period not exceeding 12 (twelve) months.

38. When transferring the pension assets of the Fund to external transit management, the transit period is taken into account to form the portfolio in accordance with the target parameters established by the investment management agreement. The duration of the transit period does not exceed 15 (fifteen) working days

39. Pension assets of the Fund transferred to external transit management shall be kept on the accounts of the National Bank with the bank (banks)-custodian (custodians) and on a margin account with a clearing broker. It is allowed to place the pension assets of the Fund on a margin account of an external transit manager opened with a third party, provided there is an agreement between the National Bank and the external transit manager on the conditions for conducting transactions on such an account or the conditions for conducting transactions on such an account in an investment management agreement.

40. From the day of the transfer of the pension assets of the Fund to the external transit management, the authorized subdivision shall conduct daily monitoring of the activities of the external transit manager by checking compliance with the restrictions established in the investment management agreement, monitoring transactions made by the external transit manager.

**Minimum information requested from the potential external manager**

1. Work experience of a potential external manager on the considered type of mandate.
2. The volume of assets of clients that are (were) managed by a potential external manager over the past 5 (five) years, including:
  - 1) volume of total assets under management;
  - 2) the volume of assets by the considered type of mandate;
  - 3) the volume of assets of institutional clients (including assets of central banks);
  - 4) volume of assets on segregated accounts.
3. Information about portfolio managers and account managers who will be responsible for assets transferred to external management.
4. Information on the staff turnover over the past 10 (ten) years among the employees of the investment block of a potential external manager (portfolio managers, analysts and traders ).
5. Detailed description of the investment process, portfolio management methods, market research, information sources used and the model for the valuation of financial instruments.
6. How is active market risk modeling, monitoring and management carried out (if the considered type of mandate relates to active management).
7. Availability of specialized software for monitoring and risk management.
8. Historical results of portfolio management for a similar mandate over the past 5 (five) years with a similar or similar benchmark portfolio.
9. Description of the software used to calculate profitability, risk, used in financial and analytical reporting.
10. Brief description of internal corporate governance.
11. Liability of the external manager to the National Bank in case of violation of the terms of the investment management agreement.
12. Information on the types of insurance used to protect the client from errors of the external manager.
13. Conditions for organization of training.
14. Information on the expected level of commission for external management.
15. Audited financial statement of a potential external manager for the last financial year.

16. Internal policies and procedures of the external manager to mitigate the risk of abuse and conflicts of interest, including ensuring the equitable and fair distribution of transactions among client portfolios, checking the list and approval of brokers, agents and counterparties of the external manager.

Appendix 2  
to the Rules for selecting foreign organizations managing pension assets of the unified accumulative pension fund, including the requirements thereto, when they are instructed to take actions required for the management of pension assets of the unified accumulative pension fund

**Assessment criteria for the comparative analysis of proposals from potential external managers**

№	Assessment criteria	The score assigned to the criteria (the significance of the indicator is defined as a percentage)
1.	Historical portfolio management performance (when carrying out comparative analysis of the proposals of potential external managers specializing in regional mandates and participating in the selection of a global mandate manager, scores are normalized based on the scope of the respective mandate)	35 points
	annual geometric excess profitability for the last 3 (three) - 5 (five) years (if the excess profitability indicator for a period of less than 5 (five) years is positive, the indicator is normalized relative to a period of 5 (five) years)	40 percent
	the arithmetic average of the information coefficient for the last 3 (three) -5 (five) years (if the indicator of the information coefficient for a period of less than 5 (five) years is positive, the indicator is normalized relative to a period of 5 (five) years)	60 percent
	Organization and Assets	15 points
	participation of employees in the capital structure of the organization (employee owned)	25 percent
	average annual change (in percent) of assets under management (	

2.	outflows and inflows over the last 3 (three) - 5 (five) years or since the beginning of management)	25 percent
	the percentage of assets under this considered mandate to total assets under management (when performing a comparative analysis of proposals from potential external managers specializing in regional mandates and participating in the selection of a global mandate manager, the volume of assets by regional mandates is used. This value is normalized depending on the scope of the respective mandate)	25 percent
	share of assets of institutional investors to total assets under management	25 percent
3.	Team	15 points
	average work experience of portfolio managers and analysts responsible for asset management for the respective mandate	50 percent
	Staff turnover among employees of the investment block (portfolio managers, analysts, traders) in the whole company (the lowest value is taken into account)	50 percent
4.	Availability of a type of insurance of clients' interests against actions or inaction of an external manager	5 points
5.	Level of commission for the management	20 points
	the level of the base commission (the lowest value is taken into account)	75 percent
	acceptance of the principle of payment of commission based on the results of external management in the event of a positive excess returns exceeding similar indicators for previous periods from the day the external manager began management (net new high basis since inception)	10 percent
	acceptance of the condition on the minimum threshold for excess returns, from which the calculation of the commission based on the results of external management begins, not lower than the base commission	10 percent

	acceptance of the establishment of the terms of payment of the commission based on the results of external management over several years in parts	5 percent
6.	Training the employees of the National Bank	10 points
	short-term training of 1 (one) - 2 (two) weeks	50 percent
	providing the opportunity for an internship and (or) secondment lasting from 1 (one) month	50 percent

Note:

1. The assessment of the proposal of a potential external manager is the sum of points according to all assessment criteria in accordance with their significance.

2. To calculate points, each indicator shall be subject to normalization relative to the best indicator in the considered criterion for all potential external managers.

In this case, the normalized indicator of a potential external manager is the ratio of the indicator of the external manager to the maximum value of the indicator according to the considered criterion.

3. If an external manager manages assets under a declared mandate under a different mandate, then the historical results of managing these assets under a different mandate are assessed.

4. When assessing the training of employees of the National Bank, the following system of indicators is used:

Indicator (training conditions for employees)	Points assigned to the indicator
External manager shall pay the flight, accommodation, meals	1
External manager shall pay the accommodation, meals	0,5
External manager shall pay the accommodation	0,2

Appendix 3  
to the Rules for selecting foreign organizations managing pension assets of the unified accumulative pension fund, including the requirements thereto, when they are instructed to take actions required for the management of pension assets of the unified accumulative pension fund

**Assessment criteria for comparative analysis of proposals of potential external managers from the short list within the framework of investment and operational due diligence Table 1. Quantitative analysis**

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№	Assessment criteria	Points assigned to criteria (the significance of indicators is defined as a percentage)		
		Active management	Improved index management	Passive (index) management
1.	Historical risk-adjusted returns	40 points		50 points
	annual geometric excess return for the last 3 (three) - 5 (five) years (if the excess return indicator for a period of less than 5 (five) years is positive, the indicator is normalized relative to a period of 5 (five) years)	15 percent	20 percent	30 percent
	the arithmetic mean of the information coefficient for the last 3 (three) - 5 (five) years (if the excess return indicator for a period of less than 5 (five) years is positive, the indicator is normalized relative to a period of 5 (five) years)	30 percent	30 percent	50 percent
	Sharpe ratio	15 percent	25 percent	20 percent
	Sortino ratio	40 percent	25 percent	-
	Indicators of assessment of the stability of historical results	30 points		
The level of returns deviation variability (tracking error)	20 percent	40 percent	50 percent	
Reference exceedance ratio	30 percent	40 percent	50 percent	
Excess ratio (kurtosis)	10 percent	-	-	
The range of the excess return indicator (absolute)	20 percent	-	-	
Duration of exceeding portfolio performance against	20 percent		-	

2.	the reference (in months)		20 percent	
3.	Decline risk indicators	30 points		20 points
	Returns deviation variability (tracking error) below the minimum threshold value	10 percent	10 percent	-
	Average loss	10 percent	15 percent	25 percent
	Duration of unsatisfactory results of the portfolio against the reference (in months)	25 percent	15 percent	-
	Maximum loss	15 percent	20 percent	25 percent
	Largest impairment in portfolio value	30 percent	20 percent	25 percent
	Duration of recovery of portfolio results	10 percent	20 percent	25 percent

**Table 2. Qualitative analysis**

Assessment criteria	Satisfactory (unsatisfactory)
1. Investment process	
1.1. Investment portfolio formation	
assessment of the relevant restrictions and limits of the investment strategy of the proposed investment product	
use of analytical research and implementation of investment ideas	
assessment of portfolio management results for compliance with the declared style	
1.2. Decision-making process for buying or selling financial instruments	
decision making model	
having a clear and consistent discipline in the sale of financial instruments, as well as procedures for setting loss limits (stop-loss)	
2. Internal control and monitoring procedures	

2.1. Risk management process	
internal procedure or regulations for the work of the external manager for portfolio risk management	
availability of software for portfolio risk management and monitoring	
2.2. Process of trading transactions	
availability of a Best Execution Policy, including a procedure for selecting and approving counterparties and trading platforms	
availability of compliance procedures and data reconciliation	
settlement of transactions with securities	

**Note:**

1. The assessment of the proposal of a potential external manager from the short list is the sum of points according to all the criteria given in Table 1, in accordance with their significance.

2. For the purposes of calculating points, each indicator is subject to normalization relative to the best indicator in the considered criterion for all potential external managers from the short list. In this case, the normalized indicator is the ratio of the indicator of the external manager from the short list to the maximum value of the indicator according to the criterion under consideration.

3. When evaluating the investment process and internal procedures for control and monitoring of a potential external manager within the framework of a qualitative analysis, the criteria of which are given in Table 2, the following system of indicators is used:

Indicator	Score assigned to the indicator
Satisfactory - the process and (or) procedures of the potential external manager are consistent with the declared status, are understandable and can be easily interpreted	1
Unsatisfactory - the process and (or) procedures of the potential external manager do not correspond to the declared status, are acceptable, but there are problems in terms of implementing solutions within the company	0

Appendix 4  
to the Rules for selecting foreign organizations managing pension assets of the unified accumulative pension fund, including the requirements thereto, when they are instructed to take actions required for the management of pension assets of the unified accumulative pension fund

**Methodology for assessment of effectiveness of work of the external manager**

1. Assessment of the effectiveness of the work of the external manager shall be carried out by assigning points to the external manager in accordance with the quantitative and qualitative indicators provided for by this Methodology.

2. Quantitative indicators:

information coefficient (Information ratio)

Information coefficient (Information ratio)	Assigned score
>1	3 points
0,5 – 1	2 points
0 - 0,5	1 point
0	0 points
(-) 0,5- 0	(-) 1 point
(-) 1 - (-) 0,5	(-) 2 points
<(-) 1	(-) 3 points

3. Qualitative indicators:

1) Staff turnover

Staff turnover in percent	assigned point
> 30	(-) 0,5 points
5 - 30	(-) 0,25 points
0 - 5	0 points

2) Operational risk.

For each violation of the restrictions stipulated by the investment strategy established for the external manager in the investment management agreement, due to an operational error, 0.2 (zero point two) points are subtracted from the assessment;

3) compliance with a Code of Business Ethics.

For each violation by an external manager of business ethics, 0.5 (zero point five) points are subtracted from the assessment.

In case of systematic untimely execution of client orders, 0.5 (zero point five) points are subtracted from the assessment.

4. The final performance score shall be calculated as the sum of points in terms of quantitative and qualitative indicators.