



THOMAS
MURRAY

Post-trade risk and custody specialists

PRESS ANNOUNCEMENT

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Thomas Murray sets the Central Securities Depository Risk Assessment for the Astana International Exchange CSD at 'A' with Outlook 'On Watch'

Thomas Murray, the global post-trade risk and custody specialists, has completed the first time CSD risk assessment of Astana International Exchange Central Securities Depository (AIX CSD) and assigned an overall risk assessment of 'A', which denotes a 'Low Risk'.

The overall assessment of 'A' reflects the weighted average of the eight individual risk components and indicates a low risk exposure profile with 'On Watch' outlook. This grade places AIX CSD above the average for Eurasian CSDs (A-) and a notch below the average for Asia Pacific CSDs (A+) covered by Thomas Murray.

The market was launched in November 2018 within the jurisdiction of Astana International Financial Centre (AIFC) and since then, the AIX CSD and its parent company Astana International Exchange (AIX) have been working on implementing a model that meets the needs of its participants through simple, innovative, and relatively secure and efficient practices.

At the time of the assessment in September 2019, market activity volume was dominated by on-exchange transactions and settlement was being conducted involving only brokers as clearing members. The settlement model used by AIX CSD affords limited or almost zero asset commitment exposure to its participants during the

settlement process and the market works with adequate settlement fails arrangements to reduce participant exposure to liquidity constraints deriving from the late delivery or non-availability of assets. However, settlement is conducted using 'commercial bank money' and trading and settlement volumes are highly concentrated in a few participants, the latter consistent with the market's nascent status. The AIX CSD operates in a legal environment that has full recognition of the nominee concept and a robust framework for the protection of client assets. The CSD's rules and procedures allow for account segregation at the level of individual clients and provide for the segregation of participant and client assets. The depository has also laid out processes and controls for elementary corporate actions albeit the number of events is still quite low.

The assessment of AIX CSD's financial, operational and governance and transparency risks considered the start-up nature of the CSD and its heavy reliance on AIX. The depository commenced operations offering only the most basic CSD services and its operational functions are outsourced to the AIX. The CSD has no outstanding debt and has sufficient liquid net capital in the form of cash although its sources of revenue are limited. AIX's comprehensive insurance policy covers the activities of AIX CSD. Moreover, the AIX CSD is currently developing its recovery and resolution plan. AIX has implemented an innovative approach of utilising cloud technology for its production and disaster recovery facilities supported by redundant network arrangements. AIX has received 27001:2013 and 27032:2012 certifications for information security management systems and cyber security risks, respectively, confirming that its controls around information and cyber security conform to international standards. However, AIX CSD governance arrangements are yet to reach the level desired of a well-run, mature company with the participation of independent directors in its board and the implementation of a user group/committee yet to be addressed.

Jim Micklethwaite, Director, Head of Operations for Thomas Murray said:

"Thomas Murray is delighted to announce the first-time overall risk assessment of AIX CSD. The assessment recognises the accomplishment of AIX CSD in launching a secure and efficient post-trade infrastructure in a short space of time. We will monitor AIX CSD's improvements as the market grows and they continue to adopt international best practices."

Anna Kolesnichenko, CEO of AIX CSD said:

"Thomas Murray's very first assessment of the AIX CSD as A, equivalent to low risk, is highly encouraging for us given that the CSD had been in operation for less than one year when it was assessed. Considering that Thomas Murray is the unchallenged global benchmark provider for CSD assessments, we believe that this grade will act as a catalyst for Tier-1 custodians to join the AIX CSD. We also look forward to further collaboration with Thomas Murray in assessing the progress made by the AIX CSD over time."

The CSD risk assessment reviews and assesses the risk exposures for investors associated with the processes the CSD has in place to facilitate the safekeeping and the clearing and settlement of securities, where applicable. It assesses eight key risks (assessment components). The methodology considers the capabilities of the depository and the quality and effectiveness of its operational infrastructure. It also assesses the depository's willingness and ability to protect its participants or clients from losses. As part of the assessment, the scope and quality of the depository's services is assessed. The assessments are on a consistent global scale, using the familiar AAA to C grading scale. Once the grading is assigned there is an ongoing surveillance process to monitor the depository.

Thomas Murray maintains proprietary assessments of over 140 CSDs globally as part of the Thomas Murray Depository Risk Assessment services.

The full Thomas Murray report is available to interested parties upon request.

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AIX was formed in 2017 within the Astana International Financial Centre development framework. AIX shareholders are AIFC, Goldman Sachs, the Shanghai Stock Exchange, the Silk Road Fund, and NASDAQ, which also provides the AIX trading platform. The exchange operates within a regulatory environment based on the principles of English common law, thus providing a reliable investment environment. The mission of AIX is to develop an active capital market in Kazakhstan and the region by providing clear and favourable conditions for attracting financing to private and public businesses. AIX develops special segments for mining companies as well as infrastructure projects under the Belt and Road initiative. More details: www.aix.kz

Thomas Murray is a specialist custody risk assessment, risk management and research firm specialising in the global securities services industry. Thomas Murray was established in 1994. The Company monitors and analyses over 320 custodians globally and evaluates the risk of over 140 CSDs, 30 CCPs and over 90 capital market infrastructures. The company has a strong position as a provider of public and private risk assessments on global custodians, domestic custodian banks and capital market infrastructures. <https://thomasmurray.com>

AIX CSD Astana International Exchange Central Securities Depository Limited (AIX CSD) is a private company incorporated under the Acting law of the AIFC responsible for daily cash and securities settlement and depository activities. AIX CSD holds a commercial license from the Registrar of Companies of the Astana Financial Services Authority (AFSA). AFSA, where AIX CSD is incorporated, also acts as the AIX CSD's Regulator. AIX CSD is solely owned by AIX.

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