

This English translation of the “Regulation on Activities of the Regulated Entities in Securities Market” has been prepared, reflecting up to the Resolution No 07 of the Financial Regulatory Commission dated as of January 15, 2014. This translation is awaiting Financial Regulatory Commission’s reviews, and is subject to change accordingly. This is an unofficial translation. Only the original Mongolian texts of regulation have legal effect, and the translations are to be used solely as reference material to aid in the understanding of Mongolian laws and regulations.

MONGOLIA

RESOLUTION OF THE FINANCIAL REGULATORY COMMISSION

January 15, 2014

No 07

Ulaanbaatar

Approving the Regulation on “Activities of the Regulated Entities in Securities Market”

According to Article 6.1.2 of Law on the Legal Status of Financial Regulatory Commission, Article 63.1.2 of Securities Market Law, Article 1.2 of Resolution No 41 of 2013 of State Great Khural respectively, Financial Regulatory Commission hereby RESOLVES:

1. To approve the regulation on “Activities of the Regulated Entities in Securities Market” as set in the Appendix.
2. To repeal the regulation on “Broker and Dealer Activities” approved by the Financial Regulatory Commission’s Resolution No 223 dated as of October 22, 2008 upon the approval of this regulation.
3. To endorse the Working Group /Kh.Bum-Erdene/ to monitor the implementation of approved regulation and to notify publicly.

CHAIRMAN

D.BAYARSAIKHAN

REGULATION ON ACTIVITIES OF THE REGULATED ENTITIES IN SECURITIES MARKET

One.General Provision

1.1. The purpose of this regulation is to regulate relations including principles to be observed when undertaking activities of regulated entities in securities market, prohibitions, Customer contracts, receiving orders, enforcement, modification, cancellation, and termination of orders, trading securities with company's assets, service fees, providing information to Customers, advertising, implementation of internal supervision, and storage of archival documents.

1.2. The terms used in this Regulation shall have the following meanings:

1.2.1. "regulated entity" means a legal entity licensed to engage in the activities set out in Article 24.1.1, 24.1.2, 24.1.3, and 24.1.5 of Securities Market Law;

1.2.2. "professionals of regulated entities" means professionals and senior officials who interacts and communicates with Customers;

1.2.3. "Customer" means investors under the contract with regulated entities;

1.2.4. "market order" means orders fulfilled to buy securities at the lowest price and sell at the highest price;

1.2.5. "conditional order or a limit order price" means the purchase price maximum level or minimum selling price specified orders;

1.2.6. "delay conditions order" means Customer orders agreed with brokerage firm due to existing rights and obligations specified in the contract caused by unknown or unaware of events;

1.2.7. "advertising" means distributed information through public media , telephone, internet, e-mail, and letterheads in connection with buying securities from regulated entities, brokerage and other service;

1.2.8. "broker activities" means activities as stipulated in the Article 36.1 of Securities Market Law;

1.2.9. "dealing activities" means activities as stipulated in the Article 37.1 of Securities Market Law;

1.2.10. "underwriting activities" means activities as stipulated in the Article 41.1 of Securities Market Law;

1.2.11. "securities investment advisory activities" means activities as stipulated in the Article 39.1 of Securities Market Law;

1.2.12. "settlement bank" means banks perform securities trading settlement in accordance with instructions received from Customer;

1.2.13. “collateral asset” means cash deposited in a designated account of the settlement bank by brokerage and dealer firm or by Customer as brokerage firm agreed with Customer, in order to confirm Customer’s role and responsibility in securities clearing activities;

1.2.14. “collateral account” means a separate account for depositing collateral asset;

1.2.15. “payment guarantee fund” means cash deposited fund from brokerage and dealer firms for the purpose of continuing normal operations of securities trading settlement activities, ensuring stability of securities market, and reducing risks;

1.2.16. “settlement activities” shall be construed as stated in Article 44.1 of Securities Market Law.

Two. Principles to be observed when undertaking Activities of Regulated Entities

2.1. Regulated entities shall observe following principles when carrying out their activities:

2.1.1. to comply with laws, regulations, and rules, procedures approved by FRC and self-regulatory organisation;

2.1.2. as provided in the article 24.7 of Securities Market Law, name of the regulated entity comprises of its proper name and detailed name as “Securities Company” or as abbreviation of “SC”.

2.1.3. to have a knowledge of or explore the Customer in accordance with form 3 when entering into contact on brokerage service on additional terms;

2.1.4. to provide necessary information and advice to Customer for making investment decision;

2.1.5. to put Customer’s interests above and not to use information acquired in the process of performing official duties for personal gain;

2.1.6. to keep the assets of Customer as separate from company’s and ensure safekeeping of the same;

2.1.7. to have necessary personnel, financial capacity, and technology recognized by the Commission, and trade organization undertaking the concerned activities;

2.1.8. to maintain and keep original accounting records and documents associated with its operations in accordance with relevant standards;

2.1.9. to ensure that regulated entity shall timely settle regulatory service fee accordingly;

2.1.10. to operate an internal supervisory system.

Three. Activities Prohibited to Regulated Entities

3.1. Regulated entities shall be prohibited to undertake following activities:

3.1.1. to provide any false, misleading information to Customers during the process of public offer of securities and securities trading;

3.1.2. a broker transferring funds between company’s and Customer’s accounts unless otherwise he issued credit to a Customer in connection with purchase of securities as provided under contract;

3.1.3. participating in trading securities using inside information, not to disclose necessary inside information to Customers, refuse to provide such information;

3.1.4. creating artificial securities price, maintaining price in collusion with others by increasing or reducing;

3.1.5. transactions have been entered into directed at artificially increasing, or decreasing securities price among the entities who have affiliated interests and whose owners have not been changed during the securities trading;

3.1.6. to conduct double transactions between brokers, dealers, and other affiliated entities for purpose of misleading public by giving the appearance that the security is being actively traded;

3.1.7. to conduct advertising, marketing activities and public offering for securities before any approval regarding registration of securities by the FRC has made;

3.1.8. in case of customer's existing order or prospect order affected the market price of securities, brokerage firm that received orders, shall not buy or sell those securities on his accounts or to convince third party to do the same;

3.1.9. regulated entity who holds publicly undisclosed inside information about securities issuer shall not buy or sell securities on its own account or persuade third party to do the same;

3.1.10. to negotiate with other brokerage and dealer companies on the matters such as price of securities, trading conditions, and fees in order to limit competition;

3.1.11. to disclose information publicly on quantity of the securities owned by the customer and other related inside information of securities, and make offer to interested persons to buy securities without owner's permission;

3.2. in addition to those specified in 3.1 of this regulation, the followings shall be prohibited during the securities trading and transactions by the brokerage and dealer companies:

3.2.1. make an artificial experiment that gives the appearance that securities have certain demand and supply by placing an order into securities trading program where those securities were not supposed to be fulfilled; make modification to it, and to terminate orders before its fulfilment;

3.2.2. to change the validity period of securities trading order without prior consent of customer;

3.2.3. in order to affect closing price of securities, conduct securities trading on buying or selling during the last one hour of trading;

3.2.4. to transfer trading system login and password to others illegally;

3.2.5. to not place customer's fund in separate account, allow customer to participate in securities trading without opening a settlement account;

3.2.6. to open a customer account for any legal entity, individuals who were prohibited to engage in any business transactions on the grounds provided by law;

3.2.7. to fail to keep confidential information on securities trading system, and to misuse of such information;

3.2.8. to perform brokerage firms' any payment obligations to others from customer's fund;

3.2.9. to engage in brokerage activities to trade securities at foreign securities market which is not registered at FRC.

Four. Concluding a contract with Customer

4.1. Regulated entities licensed to engage in brokerage activities shall open an account at central depository of “Clearing House” LLC on behalf of itself for the purpose of providing brokerage service to Customers on purchasing and selling securities.

4.2. In order to open a Customer account, following documents shall be submitted:

4.2.1. if it is a citizen, account opening contract, copy of ID, or similar documents;

4.2.2. if it is a legal entity, official request to open an account, notarized copy of State Registration certificate, reference by the authorized person in respect of appointment of legal entity who authorized to dispose assets placed in the account;

4.2.3. In case of foreign or local citizen are unable to come in person, identity card or equivalent document, if it is a legal entity, certification of state registration of legal entity notarized by relevant jurisdiction’s notary shall be delivered respectively.

4.2.4. A contract for Customer account opening shall include termination terms and conditions, provisions of right and obligation of relevant parties and shall be made up to three copies /Customer, brokerage firm, and “Clearing House”/ and shall enter into an effect by approval of signatures of respective parties. Brokerage firm shall archive one copy of the contract.

4.3. Brokerage firm shall prepare necessary documents from Customer and proceed the procedure of opening a bank account at settlement bank in order to facilitate the procedure in respect of Customer’s payment. Settlement bank shall open an account for Customer based on required documents specified in article 4.2.1, 4.2.2, and 4.2.3 of this regulation.

4.4. Brokerage company shall conclude a contract with Customer in case of providing brokerage service on additional terms to the Customer. A contract shall be approved by Board of Directors of brokerage company / if not applicable, Shareholders’ meeting/ or Chief Executive Officer.

4.5. It is prohibited to include following activities in contract:

4.5.1. Provision which specifies the limit of payment for such damage and loss caused by illegal activities of Brokerage Company to Customer;

4.5.2. Limiting the Customer’s right to exercise its rights under contract, and a right to terminate contract or giving preference on either side;

4.5.3. Provisions that explains terms as an useful indication for himself where there is a dispute arises due to unclear meaning of the terms to Customer that can not be interpreted by its direct meaning according to the provision 198.1 of Civil Code.

4.6. Following informations of Customer shall be registered in general registration based on the contract with Customer.

4.6.1. If Customer is a citizen, his last name, name, registration number, as for foreign citizen, passport number, official and residential address and telephone number;

4.6.2. if Customer is a legal entity, name of the legal entity, registration number, address, as for representative without proxy, his/her last name, name, registration number, telephone number, if its foreign citizen, passport number;

4.6.3. Other information required by Brokerage Company.

4.7. It shall include provisions that specify not to fulfill orders that are in compliance with provisions 3.1.4, 3.1.5, and 3.1.6 of this regulation, law and legislations on securities market.

Five. Providing information to Customer

5.1. Regulated entities licensed to undertake brokerage activities are committed to provide following information that are necessary to Customers for decision making on buying and selling securities.

5.1.1. trading activity, price, and trade-related news issued by the securities trading organization within last six months;

5.1.2. address, general information and information on financial position of securities issuer /this will include publicly disclosed financial information by the securities issuer/;

5.1.3. other information unless otherwise prohibited by law to be publicly disclosed.

5.2 regulated entities licensed to undertake brokerage activities shall only be obliged to provide information to Customer in case of providing services to Customer on buying or selling securities, it shall be considered as regulated entity had engaged in investment management activities without any licence and shall charge with responsibility in accordance with Securities Market Law. However, this will not serve as any ground to exempt a brokerage company from liability for damage caused to the investors.

Six. Receiving Customer's order

6.1. Brokerage Company's professionals shall perform customer's order in accordance with contract and shall inform to Customer about any change made into the contract terms.

6.2. Brokerage company's professionals shall prior check to ensure whether order maker is eligible to dispose fund held in account legally and shall receive order based on giving introduction to the Customer on electric trading in respect of order's fulfillment.

6.3. If the Customer who is making an order is a citizen, he/she shall be a legal owner of securities held in the account, if it is a legal entity, there shall be an eligible authorized person representing the legal entity or there shall be their legal representative. In case of performing transaction through minor's account, a legal representative of owner must comply with documents for verification.

6.4. Regardless of regulated entities licensed to undertake brokerage activities are undertaking dealing activities concurrently, it shall perform Customer's order in priority, and shall fulfill order in timely sequence as provided by Customer.

6.5. Before receiving order, broker is obliged to prior inform the Customer about whether there had been a conflict of interest, if conflict of interest arises after receiving the order, broker shall notify the Customer immediately.

6.6. A person who undertakes brokerage activity shall be responsible for damage caused by non-disclosure of conflict of interest promptly to Customer by the regulated entity licensed to undertake brokerage activity.

6.7. Broker shall receive Customer order and register it to overall registration upon verification through written notice or audio and video record of order.

6.8. Regulated entity licensed to undertake brokerage activity shall include following provisions in documents of orders that will concluded with Customer.

6.8.1. Securities name and code;

6.8.2. Quantity of securities;

6.8.3. Terms of an order, highlights, period of validity. /if period of validity was not specified or in case there is no highlights on period, the validity period of an order shall be one business day /.

6.9. Audio and video records of order shall be enough to prove the timing of Customer's order.

6.10. Receiving orders by phone, e-mail, and other types of communication, audio and video records, electronic communications for order confirmations shall be regulated by the internal rules of regulated entities licensed to undertake brokerage activities and trade organizations respectively.

6.11. Regulated entities licensed to undertake brokerage activity shall use software satisfied following requirements for participating in e-commerce and trading.

6.11.1. Customer shall ensure to have verification code system which is required to access to e-commerce through its own security code;

6.11.2. Customer's password of access shall be programmed to be impossible to be known to others /including brokerage company's staff/;

6.12. Brokerage company's failure to fulfill Customer's order due to computer program's error will be regarded as a breach of contract.

6.13. receipt of written order shall be made for two copies in the form approved by Board of Directors of brokerage company/if not applicable, shareholder's meeting/ or chief executive officer and each of Customer and brokerage company shall keep the copy respectively.

6.14. in written order's documents, Customer's full name, registration number, as for foreign citizen, passport number, signature, as for legal entity, name of the legal entity, seal, name of the authorised representative, position, name of the broker who received an order, signature, date of contract, and time shall be included in such documents properly and approved by the applicable brokerage company's stamp for Customer specific order. If one of these is unavailable, contract shall be regarded as an invalid contract.

6.15. If Customer gives an order to brokerage company by phone during the trade, it will be regulated in accordance with provision 6.10 of this regulation.

6.16. Order to buy and sell securities shall be valid for up to 30 calendar days. Valid period of particular orders might be different due to order's condition and terms and this kind of relation will be regulated by internal regulations of trade organization.

6.17. Brokerage company's officer has a right to refuse to receive orders that are not in compliance with the Securities Market laws and legislation.

Seven. Executing orders

7.1. A broker who received Customer order shall execute the order in accordance with Annex 1 of this regulation within one business day in Ulaanbaatar or three business days in rural areas, and may reflect order to dealer's tasks and transfer it to the commercial broker.

7.2. Branch of the brokerage company shall number order according to relevant sector's code.

7.3. Unless otherwise Customer participates in trading electronically, all orders may be submitted to dealer's task as a summarized chronology by its price and time of trading and shall be reflected in dealer's task before an hour ago from trading. If Customer has made a change to order, broker who received order shall immediately notify it to broker who is on trading at the moment.

7.4. Trading orders which are made during opening call of trading will be executed by trading algorithm, where orders made during the ordinary trading will be fulfilled by price and time chronology.

7.5. In respect of order with same conditions, it shall be fulfilled based on the maximum buying price, and for selling, on minimum price. If both price are equals with each other, orders will be fulfilled based on time chronology.

7.6. Brokerage Company shall include Customer's order in dealer's trading tasks as long as rights and obligation arises in the documents of delay conditional order. Until this, Brokerage Company may register delay conditional orders accordingly and monitor regularly that such conditions had developed as specified in the terms.

Eight. Modification, cancellation or termination of Customer's order

8.1. Either of Customer and brokerage company's officer may cancel the unexecuted orders kept in e-commerce database at certain phase of trading or may make any modification to the terms of order. Modification procedures shall be regulated by trading rules of organization which carries out securities trading.

8.2. In case of Customer's request to cancel his order, it will be notified to Brokerage Company and Brokerage Company's professional may notify it to order's document and dealer's tasks respectively for confirmation.

8.3. Customer order may be terminated in following cases:

8.3.1. Order was successfully fulfilled;

8.3.2. As for market orders, it reached the limit of the fund to purchase securities specified in contract and deposited held in settlement account completed;

8.3.3. Contract period of order was expired;

8.3.4. If Customer wishes to have refused to execute his orders during five trading sessions, it will be fulfilled as of the last day of refusal.

8.4. Regulated entity licensed to undertake brokerage activities is responsible for monitoring if transaction executed through Customer's account who participates in securities trading constantly is in violation of the Securities Market Law and this relation will be regulated by internal rules of organization.

Nine: Participating in securities trading with Company's asset

9.1. Based on a mutual decision by Board of Directors, Chief Executive Officer of regulated entity licensed to undertake dealing activities and other authorised person as specified in company's charter, activities of buying and selling securities with company's asset shall be implemented accordingly.

9.2. Based on management's decision, dealer may participate in trading by the form of "dealer's tasks on activities of buying and selling securities with company's assets" fulfilled in accordance with Appendix No2 of this regulation and a right to make decision on buying or selling securities may be authorised by executive management to dealer in written consent.

9.3. If dealer makes decision specified in 9.2 of this regulation, it shall be notified in dealer's terms of reference and tasks each time and be presented to the management.

9.4. Regulated entity licensed to undertake dealing activities may deliver dealing tasks includes following conditions regarding the activities of buying and selling securities with own assets to institution carries out securities trading:

9.4.1. Quantity of securities to be purchased or sold;

9.4.2. The period of validity of offer price.

9.5. Dealer may amend or cancel the offer specified in 9.4 of this regulation and in the event that a dealer's offer to sell or buy securities is accepted, the dealer shall fulfill its obligation without any objection.

9.6. Regulated entity licensed to undertake brokerage-dealing activities shall fulfill orders of himself and other affiliated entity's only after complete fulfillment of Customer's order of related securities.

Ten: Arrangements on Underwriting and Investment Advisory Activities

10.1. Regulated entity licensed to undertake underwriting activities shall conclude a contract with securities issuer covering following conditions:

10.1.1. validity period of contract;

10.1.2. roles and responsibilities of Parties;

10.1.3. period of an order of securities offered publicly;

10.1.4. service fee;

10.1.5. in underwriting contract, it may concludes to provide service in the form of one of the followings or combination of them:

10.1.5.1. to buy all securities that were sold in the primary market by securities issuer in order to trade those securities in secondary market or maintain his securities portfolio;

10.1.5.2. to buy some of the securities issued on primary market by securities issuer;

10.1.5.3. not to purchase securities issued and make best effort to organize activities to trade those securities in primary market;

10.1.5.4. to provide guarantee to purchase securities being publicly offered at specified price in the event such securities are not sold during a public offer in primary market.

10.1.6. regulated entities licensed to undertake underwriting activities may provide underwriting service under a joint service contract.

10.2. securities investment advisory firm shall pursue following terms and requirements when carrying out their activities:

10.2.1. regarding securities investment advisory activities, when providing advisory services on buying or selling securities, price, conditions, and period, all relevant statistics, research and analysis documents shall be presented to Customer;

10.2.2. investment advices to Customer shall be based on only true data and market reality and proper analysis shall be conducted in compliance with internationally recognized research methods;

10.2.3. in case of conflict of interest issues arises between company's employee and securities issuer or owner of such securities offered to Customer within providing investment advisory services, company's employee shall notify it to Customer immediately;

10.2.4. before concluding a contract with Customer, company shall provide Customer by necessary information relevant to licence, company's financial position, whether its supervision staff has been issued administrative or criminal penalty with regard to performing his duties and obligations by FRC and other law enforcement agencies within last five years;

10.2.5. to provide investment advices to Customer based on conducting research on Customer's financial position, investment experience, and investment objects;

10.2.6. to ensure that investment advices to Customer shall be prepared and developed independently;

10.2.7. to identify risks that may occur during advisory activities to Customer and approve and enforce internal supervision regulation which ensures monitoring of responsibility of staff to prevent such risks within investment advisory activities and whether their duties are in compliance with the relevant legislation in respect of investment advisory activities;

10.2.8. to report quarterly to FRC on implementation of procedures set forth in Article 10.2.7 of this regulation.

Eleven. Securities Clearing Activities

11.1. Securities clearing and settlement activities shall consist of cash transactions. Cash revenues from cash transactions at central depository shall be understood as transactions made from commercial bank's account to depository organization's account while cash outflows shall be understood as transactions made from depository organizations's account to commercial bank's account respectively. Detailed relations regarding this shall be regulated by rules of depository organization.

11.2. Settlement bank shall execute the settlements and clearing of securities trading according to the contract concluded with settlement and depository institution, a regulated entity licensed to undertake brokerage and dealer activities shall open a designated account at settlement bank for the purpose of performing cash payments of securities trading of Customer.

11.3. Customer of Brokerage Company shall place an amount of payment which is not less than 30 percent of total payment for securities in the account for purchasing and selling securities at commercial bank in advance and shall regulate relations concerning rights to dispose the cash advances paid in accordance with contract between Brokerage Company and the Customer.

11.4. Securities clearing and depository institution shall perform settlement and clearing activities with assistance of electronic computing network based on priority of securities clearing and cash transaction records.

11.5. Securities clearing, settlement and depository institution shall perform cash transactions related to securities trading clearing that are issued at primary market under the contract terms concluded with securities issuer.

11.6. Regulated entity licensed to undertake brokerage, and dealing activities shall comply with following conditions in order to perform clearing and settlement activities of securities trading:

11.6.1. to place Customer's assets as separate from its own assets;

11.6.2. Collateral assets in the amount specified by the securities clearing and depository institution shall be deposited at settlement banks;

11.6.3. Cash shall be placed in "Payment Guarantee Fund" for the purpose of maintaining smooth process of securities clearing activities, ensuring stability of securities market, and mitigating risks of settlement bank;

11.6.4. It shall be responsible to ensure execution of its own and Customer's transactions' in respect of clearing and settlement /in case of failure to perform such duty, certain amount of money may be deducted from clearing and collateral assets account at settlement bank, or selling the securities in ownership, or receiving fund from "Payment Guarantee Fund" in accordance with relevant regulation and rules/;

11.6.5. Brokerage and Dealer Company shall maintain accurate records both of its own and Customer's account, and provide necessary information and reports to Customer covering cash transactions of securities at central depository;

Twelve. Operation fees and costs

12.1. Regulated entity may charge Customer for service fees and its calculation method, instructions must follow internal rules which are in compliance with Commission's rules and regulations.

12.2. Brokerage Company shall notify the depository institution regarding change to the specified amount of service fee for Customer.

12.3. Investment advisory company shall notify the Commission about every change made to fees and costs of advisory services.

Thirteen. Delivering Information to Customer

13.1. Brokerage and investment advisory company shall present following information to Customer in order to give a general information about securities market before concluding a contract with Customer.

13.1.1. Information about the process of securities trading offer and transactions and electronic trading system;

13.1.2. Potential market and liquidity risks that may occur during the process of buying or selling securities;

13.1.3. Legal responsibilities arising when a person bought five or more percent of shares issued by the company's public offering, he/she shall inform the Commission about the purchase within ten working days.

13.2. Once Customer's order is executed, Brokerage Company shall immediately notify to Customer, securities name, code, date of transactions, price, quantity, and service fee by e-mail, telephone, fax, and other possible communication tools as specified in the Customer contract.

13.3. Upon Customer's requests, Brokerage Company may send a copy of Customer's account statements by e-mail or may ensure that Customers can access to Brokerage Company's website and check their accounts regularly on their own.

13.4. A regulated entity is responsible for providing following information about his company as required by the Customer:

13.4.1. Documents relevant to company's license to undertake professional activities in the securities market and documents related to state registration issues;

13.4.2. Information on financial position of the company;

13.4.3. Information on whether chief executive officer, internal supervisory staff, and professionals are taken as responsible for their actions in connection with their duties.

Fourteen. Advertisement

14.1. Regulated entity may conduct advertising activities in the form of public media, telephone, internet, e-mail, or printed handouts when offering services for trading securities in primary market, selling securities in secondary market, providing brokerage service to purchase securities, and other related services.

14.2. Advertising shall be realistic, not containing any misleading, false information and self-regulatory organization where the same regulated entity is a member of, may conduct monitoring on this matters.

14.3. Regulated entity shall use any information received from third party when quoting in their advertisement based on checking whether it is valid and profound information.

14.4. Regulated entity shall be responsible for any damage caused by the fact that any information quoted without reference was inconsistent with reality.

Fifteen. Internal Supervision

15.1. Regulated entity must develop its own procedures to implement internal supervision in accordance with "Regulation on licence to undertake regulated activities in securities market" adopted by Resolution No 506 of 2013 of Commission and in connection with internal supervisory activities, it shall clearly define their roles and responsibilities of shareholders, board of directors, chief executive management and internal supervision staff respectively.

15.2. Internal supervisory system of regulated entity shall be organized as capable of providing supervision on regulated entity's accounting, risk management and shall apply to each stage of operation properly.

15.3. Internal supervisory staff shall be hired to monitor whether the activities of regulated entities headquarter office and affiliates's are compliance with securities market laws, legislations and company's regulations on internal operations.

15.4. Internal supervisory staff shall be authorised to conduct regular inspections, internal supervision and may perform specific inspection due to the instructions given by authorised entity and management. Internal supervisory staff must present inspection report to shareholders and board of directors at each time.

15.5. In internal supervision report, obligations, and tasks to correct those violations found during the inspection shall be clearly specified with performance period and responsibilities.

15.6. Internal supervision officer shall have competent knowledge and experience as required to conduct effective and fair supervision activities and shareholders, board of directors and chief executive management shall be responsible to ensure internal supervision officer to implement independent supervision.

15.7. Internal supervision officer has a right to inspect all types of documents, records and also has obligations to provide advices and necessary information to independent audit, and supervisory board.

15.8. Internal supervision officer may ensure to conduct risk management system to regulated entities operation and monitor the enforcement and implementation of prudential financial assurance, risk management and supervision criterias as set by the Commission.

15.9. Internal supervision officer shall notify changes made to the information regarding the regulated entity's general information, human resources, financial position, and affiliated entity to the Commission at each time.

15.10. Internal supervision officer shall be responsible for ensuring enforcement and implementation of instructions given by the Commission, formal requirement of State inspector and shall report the compliance of enforcement to the Commission on a regular basis.

15.11. Regulated entity shall be responsible for any loss and damage to Customer caused due to wrong actions of internal supervision officer.

Sixteen. Storage of Documents and Archiving

16.1. Common relations in respect of regulated entity's activities on storage of documents and archiving shall be regulated by Mongolian Laws on Archives; detailed relations shall be regulated by the internal rules of securities trading organization, and securities clearing and depository institution.

16.2. Regulated entities shall store following documents in their archive for at least five years:

16.2.1. account opening contract, order contract, Know Your Customer forms, power of attorney;

16.2.2. general information records of Customer;

16.2.3. documents, audio and video records related to securities purchase orders, and selling orders;

16.2.4. documents related to cash transactions at Customer's account;

16.2.5. documents related to underwriting services rendered;

16.2.6. documents related providing investment advisory services;

16.2.7. financial reports and its additional disclosure;

16.2.8. registration of company and its affiliate;

16.2.9. transactions records relevant to securities and cash deposited in its own account;

16.2.10. internal supervision report, conclusions, report of works done as a result of conclusion and opinions on internal supervision report, and related documents.

16.2.11. claims and complaints from Customer, solutions for those claims, documents related to licensing and state registration of legal entity, contract and other supporting documents.

16.3. if particular time has passed specified in article 16.2 of this regulation, relevant document shall be transferred to the archives in accordance with the Mongolian Laws on Archives.

16.4. if regulated entity's license was terminated, relevant documents specified in article 16.2 of this regulation shall be transferred to archives of securities trading organization and securities depository institution.

Seventeen. Responsibility

17.1. Any illegal action taken by professionals of regulated entity shall be considered as illegal actions of relevant regulated entity and shall be imposed administrative penalty for the regulated entity.

17.2. Regulated entity violates relevant provisions of this regulation is subject to penalties under the Securities Market Law.

17.3. If any regulated entity's specialist and officer violates the prohibitions, relevant provisions of this regulation, his/her rights to undertake professional activities in securities market may be cancelled, and licence of regulated entity may be revoked and also shall be imposed administrative penalties. In case of violations during the period considered for administrative penalties, the measures will be taken to terminate the licence of the regulated entity.

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**DEALER TASKS TO EXECUTE THE ORDER OF
CUSTOMER OF SECURITIES COMPANY**

As of securities trading dated 201... yearmonth.....date

Selling Order

Order agreement #	Date, time of order	Name of the security /code/	of the security		Order conditions	Account number	Order Fulfillment		Notes
			Name	Quantity			Price	Quantity	

Purchase Order

Order agreement #	Date, time of order	Name of the security /code/	of the security		Order conditions	Account number	Order Fulfillment		Notes
			Name	Quantity			Price	Тоо, ширхэг	

Summarized by -----/signature/

Reviewed by -----/signature/

**DEALER TASKS FOR SECURITIES COMPANY
PARTICIPATING IN TRADING WITH OWN ASSETS**

As of securities trading dated 201... yearmonth.....date

Time and date of order	Either of sell or buy	Name, type of security /code/	Of security		Order types, conditions	Order fulfillment	
			Price	Quantity		Price	Quantity

Summarized by -----/signature/

For Legal Entity:

Know Your Customer Form (KYC)
--

Regulated entity’s logo and address

Account general information

Type of establishment: please note (√)	
<input type="checkbox"/> Limited Liability Company, <input type="checkbox"/> Foreign Investment Fund <input type="checkbox"/> Other: (Please specify)	<input type="checkbox"/> Joint-Stock Company, <input type="checkbox"/> Domestic Investment Fund
Legal entity registration information: Please note (√) <input type="checkbox"/> Domestic <input type="checkbox"/> Foreign	
a) whether listed on MSE : Please note (√) <input type="checkbox"/> yes <input type="checkbox"/> no b) whether listed on other SEs : Please note (√) <input type="checkbox"/> yes <input type="checkbox"/> no	
if yes, which country’s stock exchange:.....	

Legal entity’s detailed information

Name of legal entity				
Address				
Company’s registration number		Company’s founded day:		Place
Telephone number			Fax number	
e-mail address:				

Detailed information of applicable persons entitled to make transactions through the account
/please attach notarized copy of Identification Card/

Name	Powers

Contact details

Name of person who will be contacted in emergency			
Telephone number	(office)	(home)	mobile
e-mail address			Fax number

Other detailed information

<p>a) Type of business operations (products/services):</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>b) Amount of investment and trading transactions in one year: Please note (√)</p> <p><input type="checkbox"/> up to 1,000,000 ₺ <input type="checkbox"/> from 1,000,001 to 5,000,000 ₺</p> <p><input type="checkbox"/> from 5,000,001 to 10,000,000 ₺</p> <p><input type="checkbox"/> from 10,000,001 to 50,000,000 ₺ <input type="checkbox"/> from 50,000,001 to 100,000,000 ₺</p> <p><input type="checkbox"/> from 100,000,001 to 1,000,000,000 ₺</p>
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__ more than 1,000,000,000₮			
Funding sources: Please note (√)			
__ Business revenues	__ Investment	__ Борлуулалтын орлого	__ Contract revenue
__ Property/Asset Sales	__ Gift	__ Fee Income	__ Export revenues
__ Investment Income/Savings	__ Donations (Domestic/Foreign)		
__ Other (Please specify).....			
Other relevant business /Professional activities, Business Interests/			
Other relevant information:			

Payment instructions

<input type="checkbox"/>	Save income from sales of securities for future payment and leave in account
<input type="checkbox"/>	Conduct clearing activities at each time of buying or selling securities

CUSTOMER DECLARATION

1. I/we hereby declare that the information given in the application is true and correct.
2. I/we hereby declare that I/we reviewed and understood the regulations which are in force in this market (may be changed in future) issued by Financial Regulatory Commission, Mongolian Stock Exchange, and Securities Clearing, Depository Institution in respect of securities trading transactions that will be executed by brokers.
3. I/we hereby declare that I/we have known and understood the rules and regulations issued by Mongolian Stock Exchange (may be changed in future) in respect of coordinating relations on securities transactions (regulations on payment of the outstanding transactions etc).
4. I/we hereby declare to deposit payment of securities T+3 held by my/our designated account for securities trading at settlement bank before the settlement day. If I/we could not deposit the payment in designated account on time, I/we hereby agree to pay the interest penalties (maximum rate of interest penalties ...) covering from the actual settlement day until the day payment was deposited. I/we hereby agree that in case of not clearing the payments for purchased securities on time, to authorise broker to sell the outstanding securities and fully cleared securities held in my/our account at Clearing house (SCSHCD) to settle all payments that are not paid to the broker /payment for purchased securities, penalty, fees etc/. I/we hereby understand and agree that providing [Broker] to have a right to dispose securities held by my/our account at SCSHCD.
5. I/we hereby agree that [Broker] to save my/our income from sale of securities for the future purchase payment of securities.
 - [Broker] shall follow First in – First out principle in either case of the settlement that paid by my/us or paid to me/us.
 - [Broker] shall make an adjustment to my/our account, and clarify all the transactions that due payments are expected to be paid at the end of each month and shall send account statement.

6. I/we hereby declares and recognizes that in case of [Broker] incur any loss or damage when performing his duties on my/our behalf for direct/undirect transactions (as of broker’s roles on selling/purchasing securities, or in respect of shares, dividends, preemptive rights, bonuses, and other rewards), I/we will be responsible for the caused damage and will exempt [Broker] from any associated charges.

7. DECLARATION ON RISK-TAKING: Securities price fluctuates constantly and in some case it changes dramatically. Securities price may change in either direction of increasing or decreasing and may even depreciates. I/we understand that activities of buying and selling securities is likely to lose more than benefiting from trade.

I/we hereby declares that [Broker] explained to me/us all above declarations, particularly, declaration on risk-taking and I/we read and understood terms and conditions specified in these declarations.

Name: **Signature:**.....

Name: **Signature:**.....

Date:

Witnesses: (1) Name: (2) Name:.....

Address: Address:.....

Signature: Signature:.....

FOR ONLY OFFICE USE	All the relevant documents are attached YES/NO	Investment Adviser		Signature		Date	
		Entered to the system		Signature		Date	

Please attach following information:

1. detailed information of Directors (Name, address, major) and submit detailed information of ten largest shareholders approved by Company’s secretary or Director on a separate letterhead
2. copy of Identification Cards of Directors (notarized)
3. certified copy of Company rules during establishment
4. certified copy of state registration certification of legal entity
5. resolution of Board of Directors (if only not filled “confirming decision” section in account opening form)
6. if applicant signs on the form of SCSHCD on behalf of company as an authorised person, copy of the authorised person’s ID

If foreign company, following supporting documents shall be attached:

- I. Certified copy of licence to undertake operation (in relevant cases)
- II. Certified copy of reference of Legal Entities Registration Office of relevant jurisdiction

Please note (√)	<input type="checkbox"/> 10.0 – 50.0 mln tug <input type="checkbox"/> 50.0–100.0 mln tug <input type="checkbox"/> more than 100.0 mln tug
Funding Sources	__Sales, business Income __Contract revenues __Investment Income/Savings __Property/Asset Sales __Gift __Membership revenue __Fees Income __Family remittances __Export revenue __Salary income __Donations/Charity work (Domestic/Foreign) __Other (Please specify).....
Other relevant business/professional operation, business interests	
Other detailed information Note: (if any)	

Bank account details

Bank	Branch	Account number	Account type

Payment instructions

<input type="checkbox"/>	Save revenue from sales of securities for future purchase payment of securities
<input type="checkbox"/>	Sell/purchase activities as separate

CUSTOMER DECLARATION

- I/we hereby declare that the information given in the application is true and correct.
- I/we hereby declare that I/we reviewed and understood the “terms of service” and regulations (may be changed in future) issued by Mongolian Stock Exchange in respect of securities trading transactions that will be executed by brokers. I/we hereby agree to abide above mentioned terms of service.
- I/we hereby declare that I/we have known and understood the rules and regulations issued by Mongolian Stock Exchange (may be changed in future) in respect of coordinating relations on securities transactions (regulations on payment of the outstanding transactions etc).
- I/we hereby declare to deposit payment of securities T+3 held by my/our designated account for securities trading at settlement bank before the settlement day. If I/we could not deposit the payment in designated account on time, I/we hereby agree to pay the interest penalties (maximum rate of interest penalties ...) covering from the actual settlement day until the day payment was deposited. I/we hereby agree that in case of not clearing the payments for purchased securities on time, to authorise broker to sell the outstanding securities and fully cleared securities held in my/our account at Clearing house (SCSHCD) to settle all payments that are not paid to the broker /payment for purchased securities, penalty, fees etc/. I/we hereby understand and agree that providing [Broker] to have a right to dispose securities held by my/our account at SCSHCD.
- In case of I/we are liable for payment of debt to the [Broker] or as specified in section of “Payment Instructions” in the application form, I/we hereby agree that [Broker] shall save my/our income from sale of securities for the future purchase payment of securities.
 - [Broker] shall follow First in – First out principle in either case of the settlement that paid by my/us or paid to me/us.
 - [Broker] shall make adjustment on my/our account, and clarify all the transactions that due payments are expected to be paid at the end of each month and shall send account statement.

6. I/we hereby declares and recognizes that in case of [Broker] incur any loss or damage when performing his duties on my/our behalf for direct/undirect transactions (as of broker’s roles on selling/purchasing securities, or in respect of shares, dividends, preemptive rights, bonuses, and other rewards), I/we will be responsible for the caused damage and will exempt [Broker] from any associated charges.

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I/we hereby declares that [Broker] explained to me/us all above declarations, particularly, declaration on risk-taking and I/we read and understood terms and conditions specified in these declarations.

I/we hereby declares I/we understand that [Broker] is a professional organization entitled to participate securities trading and maintaining regular contact and collaboration with [Broker] and its respresentatives in relevant to securities trading issues shall be account holder’s own responsibility and role.

I NAME: Signature:

II NAME: Signature:

III NAME: Signature:

Date:

Witnesses: Name: Name:
 Address:..... Address:.....
 Signature:..... Signature:.....

FOR ONLY OFFICE USE	All the relevant documents are attached YES/NO	Investment Adviser		Signature		Date	
		Entered to the system		Signature		Date	

Please attach following documents:

1. Copy of ID – 2 copies
2. Recent consumer bills /one of those/ (electriciy, water, phone bills etc),
Bank account statement or other similar documents (within last 3 months) – 2 copies
3. bank account details, guarantee (if not permanent resident)