

## REGULATION ON MUTUAL INVESTMENT FUND OPERATION

### **One. General Provision**

- 1.1 The regulation is made for the purposes of setting requirements and ensuring its compliance in terms of Mutual Investment Fund management, its organizational structure, Fund assets, Fund investment activities, related information, supervision and other regulatory matters, criterias as for conflict of interest, fit and properentity and is made for the purpose of regulating relations associated with Fund merger, acquisition and liquidation.
- 1.2 Mutual Investment Fund operation shall be complied with Civil Law, Company Law, Securities Market Law, Investment Fund Law, Law on Combating Money Laundering and Terrorism Financing, other applicable laws and regulations, this regulation and other regulations, legislations issued by the Financial Regulatory Commission of Mongolia.
- 1.3 Mutual Investment Fund shall comply with the principles set out in Article 13.1 of Investment Fund Law in its operation.

### **Two. Management, Structure of Mutual Investment Fund**

- 2.1 TheGoverning Body of Mutual Investment Fund shall be its Unit holders' meeting.
- 2.2 Unit holdersof Mutual Investment Fund which can be either individual or legal entity is entitled to participate in the Unit holders' meeting of Mutual Investment Fund.
- 2.3 Each unit certifies one voting right at the Unit holders' meeting of Mutual Investment Fund where each voting rights of unit holder shall be determined by the number of Units held in their ownership.
- 2.4. Power and Authorization of Unit holders' meeting of Mutual Investment Fund shall be the same asspecified in Article 62 of Company Lawand other provisions related to authorization of Unit holders' meeting shall also be determined in compliance with Article 62 of Company Law.
- 2.5 Followingsshall be included in the Charter of Mutual Investment Fund in terms of power and authorization of Unit holders' meeting:
  - 2.5.1. Making decision to select Investment Management Company and establish anAsset Management Agreement;
  - 2.5.2. SelectingCustodian, establish an Asset Custody Agreement;

2.5.3. Selecting the members of Board of directors, terminating the power and authority of members of Board of directors prior to expiry of its operation term;

2.5.4. Determining the maximum rate of performance fee and promotional payment which shall be paid to Investment Management Company and Custodian;

2.5.5. Others.

2.6. The Board of directors of Mutual Investment Fund shall remain as the Governing Body of the Fund at all times except Unit holders' meeting.

2.7. In pursuant with requirements of Board of directors of Mutual Investment Fund which shall have at least five members, the numbers of board members of the Fund shall be defined in the Charter of the Fund once it is approved at Unit holders' meeting of the Mutual Investment Fund.

2.8. At least one-third of total members of Mutual Investment Fund shall be independent members and shall be met the criterias set forth in Article 79.1 of Company Law.

2.9. Independent members of Mutual Investment Fund must be selected in accordance with the Company Law and regulations adopted by the Commission.

2.10. The authority of Board of directors of Mutual Investment Fund shall be defined by the Charter on the basis of Article 76 of Company Law.

2.11. Authority of Governing Body of Mutual Investment Fund shall be approved at the Unit holders' meeting where rights, obligations and scope of responsibilities of Governing Body shall be defined by the agreement made with Governing Body within such given authority. The decision to make agreement with Governing Body shall be made by the unit holder's meeting of the Fund.

2.12. The day-to-day activities of Mutual Investment Fund will be undertaken by the Governing Body in that case, Investment Management Company or authorised Fund Manager who is appointed by the investment management company shall exercise such authority on the basis of asset management agreement.

2.13. A Fund Manager and other staff who are appointed by the Investment Management Company as specified in 2.12 of this regulation must be fit and proper.

### **Three. Meeting of Unit Holders of Mutual Investment Fund**

3.1. All the relations including convening the meeting of Unit holders of Mutual Investment Fund and decision making shall apply and be regulated by the relevant provisions of Company Law.

3.2. In the case of Unit holders' meeting of Mutual Investment Fund was not convened on the scheduled date, it shall be considered that the authority of Board of directors of such Fund be terminated starting from the originally scheduled day of meeting and all the agreements, discussion and decisions made from the Unit holders' meeting shall become invalid.

3.3. Investment Management Company shall be responsible for providing the following documents available to Unit holders of the Fund prior to convene Unit holders' regular meeting of Mutual Investment Fund:

3.3.1. annual report and financial statements of Investment Fund;

3.3.2. auditor's report on annual financial statements;

3.3.3. annual report on asset custody service provided by Custodian;

3.3.4. annual report on asset management services provided by Investment Management Company;

3.3.5. information on investment fund operating costs and salary expenses;

3.3.6. other documents specified in Investment Fund's Charter.

3.4. At the Unit holders' regular meeting of Mutual Investment Fund, an opinion of both Board of directors and Investment Management Company made on the annual operation and financial report of the Fund shall be duly discussed.

3.5. Unit holders of Mutual Investment Fund may request to convene Extraordinary general meeting of unit holders from the Fund Manager, Governing Body and Board of directors of the Fund at any time and shall submit a request including the agenda of discussion topics, date and time of meeting to be held where it shall be signed by number of unit holders representing at least five percent in price of all the Units then in issue, and be delivered to the place of business of Mutual Investment Fund if applicable.

3.6. The Mutual Investment Fund shall be fully responsible for all the costs associated with convening the unit holders' meeting of the Mutual Investment Fund.

3.7. In following cases, an extraordinary general meeting of unit holders must be convened:

3.7.1. Net asset value of the Mutual Investment Fund decreased by 40 or more percent for 10 consecutive days compared to the first day of the Fund operations;

3.7.2. Circumstances have arisen that may lead to transfer the authorization and contractual rights and obligations to another eligible Investment Management Company due to liquidation and bankruptcy of current Investment Management Company;

3.7.3. Circumstances have arisen that may lead to transfer authorization and contractual rights and obligations of asset custody agreement to another eligible Custodian;

3.7.4. Circumstances have arisen that Mutual Investment Fund's payment obligations to others may have led the net asset value of the Fund to be decreased to below the limits specified in 7.4 of this regulation and 3.7.1 of this regulation;

3.7.5. Circumstances and requirements have arisen other than selecting Investment Management Company, Custodian, transferring contractual rights of asset management

agreement and asset custody agreement which have been specified in 3.7.2, 3.7.3 of this regulation;

3.7.6. Circumstances have arisen that it is required by the Audit Committee to convene extraordinary general meeting of unit holders of the Fund;

3.7.7. Other circumstances specified in the Fund's Charter.

3.8. The Board of directors, Governing Body or Investment Management Company shall be responsible to make decision on convening the unit holders' meeting of the Fund within ten business days after the date of receipt of request from unit holders and Board of directors, Governing Body of Investment Management Company shall take necessary actions to safekeep the investment funds' assets;

3.9. In the case of decision was made to convene the unit holders' meeting as specified in 3.8 of this regulation, the meeting shall be convened within the 45 days after the date of such decision.

3.10. Unit holders of Mutual Investment Fund must be given at least 14 days or any longer period of notice and other necessary information related with the meeting via written notice or email.

3.11. The quorum at a meeting of Unit holders must be number of Unit holders are present representing at least 50% in price of all the Units in issue in that case, the meeting shall be valid.

3.12. If a quorum specified in 3.11 of this regulation is not present, the unit holders' meeting of Mutual Investment Fund shall be deemed as invalid and be postponed. In that case, it shall not be allowed to change the agenda of discussion topic given that further relations in connection with convening the postponed meeting shall be regulated by the Charter of the Fund.

3.13. The organizer of unit holders' meeting of Mutual Investment Fund must set out and make available to all unit holders the procedures for unit holders meeting and the conduct of such meetings including but not limited to, the following matters:

3.13.1. voting rights;

3.13.2. right to demand a poll;

3.13.3 proxies;

3.13.4. minutes;

3.13.5. variation of class rights and class meetings.

3.14. Other matters related with unit holders' meeting of Mutual Investment Fund shall be regulated in detail by the Company Law, rules and regulations established by the unit holders' meeting.

3.15. The Fund Manager and employees appointed by the Investment Management Company and members of Board of directors are not entitled to vote in the unit holders' meeting

of the Fund based on the number of Units held in their ownership. This provision shall not apply to the exercise of proxy voting at unit holders' meeting of the Fund.

#### **Four.Meeting of Board of directors of Mutual Investment Fund**

4.1.If it was not specified in the Charter of the Mutual Investment Fund that conveninga meeting of Board of directors in the near term, meeting of Board of directors of the Fund shall be organized at least once a month, and if necessary, additional meeting may be held.

4.2.A Resolution issued by the meeting of Board of directors shall be signed by Chairman of the Board.

4.3.Meeting of Board of directorsmay be convened by the initiatives of Chairman and members of Board, executives and other entities specified in the Charter of the Investment Fund.

4.4.The Board of directors shall approve and adopt its operational rules and regulations where it can make decision via secret votes.

4.5.A Meeting of Board of directors shall be in full force and effect once the majority of members participate in the meeting where each member shall have one voting rights.

4.6.Unless otherwise provided by the Law or specified in the Fund's Charter as a high percentage, the decision will come into force via votes of majority of members at the meeting of Board of directors.

4.7.In the minutes of meeting of Board of directors, items specified in article 80.11 of Company Law shall be fully included and members of Board who participated in the meeting must sign on the minutes whereasthe Chairman of the Board meeting is responsible for accuracy of such minutes.

4.8. If any member of Board of directors refused to sign on the minutes, there shall be a written explanation on it.

4.9.It shall not serve as a ground to revoke the decision made from the meeting of Board of directors if the minutes of such meeting were taken incorrectly.

#### **Five.Governing Body of Mutual Investment Fund**

5.1. Investment Management Company or theFund Manager (hereinafter, the "Fund Manager") which is appointed by the Investment Management Companyand authorised to undertake asset management activities shall execute the functions of Governing Body of investment fund. Under the agreement made between Investment Management Company and Investment Fund, the Fund Manager must manage day-to-day operations of the Fund in compliance with theCharterand thedecision made from the Board of directors' meeting.

5.2. The Fund Managerdescribed in 5.1 of this regulation shall exercise the rights and obligations of Chief Executive Officer of the investment fund.

5.4. A person/entity authorised to execute the Governing Body of Mutual Investment Fund, who can also be the Fund Manager is allowed to be a member of Board of directors but not a chairman of the Board.

5.5. In the agreement referred in 5.1 of this regulation, a Chairman of the Board of directors may sign the agreement on behalf of Board of directors of the Fund providing contractual rights and obligations, scope of responsibilities, limitations, grounds for exemption from liability, salaries and bonuses shall be included in the agreement.

5.6. Within the powers granted by the Board of directors, Governing Body of the Fund shall act on behalf of the Investment Fund to enter into any negotiation, making contract, and representing the investment fund in any case without any written approval.

5.7. Governing Body of Mutual Investment Fund may be performed by the team, in this case, making contract with the team and other related activities such as organizing Governing Body team's operation and responsibility matters shall be regulated by the article 83.9-83.13 of Company Law.

5.8. Board of directors is entitled to make decision to terminate authorization of Governing Body at any time.

5.9. It shall be prohibited for Governing Body of Mutual Investment Fund to have an employee who is not authorised to execute asset management activities under the Securities Market Law.

5.10. Contractual obligations and responsibilities under the asset management agreement on safekeeping of investment fund's assets established by the Investment Management Company shall apply to the Fund Manager as well.

5.11. The Fund Manager shall have the following duties under the requirements set forth in 5.10 of this regulation including but not limited to:

5.11.1. to take relevant actions to safekeep investment fund's assets at the authorised Custodian;

5.11.2. to perform its activities in compliance with the regulations and rules adopted by the Commission and competent authority, and to execute asset management activities under the asset management agreement and internal regulations which have been followed within the such investment fund's activities;

5.11.3. to execute investment portfolio management and Fund's all other management activities in compliance with the internal rules and regulations of the Fund and other relevant laws and legislations;

5.11.4. advising the Board of directors on the asset classes which are available for investment;

5.11.5. formulating a prudent investment policy;

5.11.6. investing the fund's assets in accordance with the Fund's investment policy;

5.11.7. reinvesting any income of the fund which is not required for immediate payments;

5.11.8. instructing the Custodian to transfer, exchange, deliver in the required form and in manner the assets held by such Custodian;

5.11.9. ensuring that the shares or Units in the fund are priced in accordance with the Charter of the Fund and other laws and legislations. The Fund Manager shall not sell any shares otherwise than on the terms and at a price calculated in accordance with the provisions. In the case of the Fund Manager violates this obligation, the Fund Manager will be solely responsible for compensation for any damages caused to others;

5.11.10. as for open-ended investment funds, at the request of a holder, purchasing any shares held by the holder on the terms and at a price calculated in accordance with the Fund's Charter and other relevant provisions hereof;

5.11.11. publishing daily the price of shares in at least two daily newspapers of national circulation and on its website;

5.11.12. making available for inspection to the Board of directors or the auditor appointed by the directors, the records and the books of account of the Fund Manager giving to the Board of directors or to any such auditor such oral or written information as it or he requires with respect to all matters relating to the Fund Manager, its properties and affairs;

5.11.13. being fair and equitable in the event of any conflict of interest that may arise in the course of his duties;

5.11.14. A Fund Manager shall not engage or contract any advisory or management services on behalf of a Fund without prior written approval of the Board of directors (this will not apply to 5.6 of this regulation where it specified representing the Fund without any approval. Any authorization to make an agreement shall be granted by the unit holders meeting or by approval of Board of directors in accordance with the Fund's Charter and rules);

5.11.15. In the case of Fund Manager provides services to more than one investment funds, he shall ensure to act in fair and equitable manner where its any decision shall be complied with the most updated investment policy, rules and regulations of each Fund;

5.12. A Governing Body of Fund Manager of Mutual Investment Fund must keep all detailed registration of Units or its portfolio held, bought back, revoked as well as outstanding balance records along with relevant valuation methods and calculations on each Fund where these registrations shall also be dual registered with an authorised Securities Clearing and Settlement entity.

5.13. A Governing Body or Fund Manager of the Fund must make all its records specified in 5.12 of this regulation as available for inspection by the Commission, the Board of directors and appointed Custodian which provides asset custody services to the Fund free of charge at all times and must promptly comply with any request to supply a copy of the record or any part of it in hard copy or electronic format.

5.14.A Fund Manager shall be removed immediately on the happening of any of the following events by decision by the Board of directors:

5.14.1. if a court of competent jurisdiction orders liquidation of the Investment Management Company;

5.14.2. if a majority resolution is passed by the unit holders removing the Fund Manager or terminating the agreement made with Investment Management Company;

5.14.3. if a receiver is appointed by the Commission for undertaking the Fund Manager's assets or any part thereof;

5.14.4. other events specified in the Charter and agreements.

5.15. A Fund Manager or Investment Management Company shall not be liable for any loss, damage or depreciation in the value of the funds or Units and other assets in the securities market unless such loss, damage or depreciation in the value of the fund arises from negligence whether professional or otherwise, wilful default or fraud by the Fund Manager or any of its agents, employees or associates.

### **Six. The unit holders register, rights and obligations**

6.1. A unit holder of Mutual Investment Fund refers to a person or legal entity who bought Units directly from the Fund or from secondary market and registered Units in its legal ownership as a registered unit holder.

6.2. Mutual Investment Fund must not transfer the Units to others' ownership as free of charge or in late payment terms.

6.3. A Fund Manager must conduct specific securities registers of unit holders and must contain following:

6.3.1. information set forth in article 45.3 of Company Law;

6.3.2. the date on which the Units was registered in the register of Units.

6.4. A Fund Manager may ensure to carry out clearing and settlement activities of specific register of unit holders by any authorised entity.

6.5. A Fund Manager must include and publish a structure of unit holders, a list of unit holders who holds 5% or more of the Units in the annual and semi-annual report of such Mutual Investment Fund and to inform the public.

6.6. Unit holders of Mutual Investment Fund shall have the following rights and obligations:

6.6.1. Unless otherwise provided by the law, provisions on shareholders rights and obligations specified in the Company Law may apply to unit holders' of Mutual Investment Fund;



6.6.2. A Fund Manager shall submit a request to Board of directors to convene a unit holders meeting of Mutual Investment Fund;

6.6.3. Submitting a proposal to discuss the issues such as terminating or making alterations to operation of Custodian and Investment Management Company at the Board of directors' or unit holder's meeting;

6.6.4. others as specified in the law.

### **Seven. Mutual Investment Fund Assets and Investment Activities**

7.1 Mutual Investment Fund's assets shall comprise of Fund's assets where such Fund's assets shall be determined as specified in the article 4.1.4 of Securities Market Law.

7.2. Assets specified in article 26.1.1-26.1.3, 26.1.5 and 26.1.8 of Securities Market Law shall be included in the investment fund assets.

7.3. Within the limits specified in 4.2 of this regulation, it may be decided not to include financial instruments permitted by law in the asset of investment fund by the decision of unit holders meeting of Investment Fund. In this case, these limitations shall be indicated in the Fund's Charter.

7.4. Amount of funds raised from the public shall be at least 1 billion tugriks for Mutual Investment Fund.

7.5. Following general requirements shall be observed for assets of Mutual Investment Fund:

7.5.1. to ensure the compliance of Commission's regulation on general requirements for investment fund assets, prudential ratios requirements, and Fund's accounting as specified in the article 26.2 of Investment Fund Law;

7.5.2. Investment Management Company constitutes at least five percent of total assets of investment fund as a result, these contributed assets of Investment Management Company shall be transferred to ownership of management company in the event of investment fund's liquidation;

7.5.3. the Fund's assets shall not be used for the purpose of any payment obligations;

7.5.4. assets shall be free of any conflicts and violation of rights.

7.6. A Mutual Investment Fund shall be prohibited to include investment instruments in its assets such as financially leveraged and other instruments those to have benefit from a short sale.

7.7. As for open-ended Mutual Investment Funds, it shall be prohibited to take or be financed with loans or other financial instruments with similar nature from any third parties.

7.8. It shall be prohibited for Mutual Investment Funds to issue a lending in a form of cash to others. This prohibition does not apply to investments specified in article 26.1.1, 26.1.2 and 26.1.5, 26.1.5 of Investment Fund Law.

7.9. In accordance with article 27 of Investment Fund Law, Mutual Investment Fund's assets shall be deposited in a separate account registered on its name from assets of Investment Management Company and unit holders' respectively and accounting of assets shall be maintained separately.

7.10. Assets specified in 7.9 of this regulation must not be used for the purpose of repayment for any payment obligations to others on behalf of Investment Management Company and Fund Manager.

7.11. A Fund Manager shall have the following rights and obligations with regard to investment fund assets:

7.11.1. regular monitoring on Fund assets against compliance of requirements of Commission and Fund's Charter;

7.11.2. monitoring on Custodian activities in terms of Custodian's authority under the asset management agreement;

7.11.3. organizing activities related to delegation of new Custodian, granting authorization of custody of assets to another Custodian without any risk and providing necessary guidance and management;

7.11.4. monitoring all transactions related to investment fund assets and conduct risk prediction;

7.11.5. delivering immediately a copy of all primary financial documents relevant to movements of investment fund assets to the certified public accountant and Custodian upon a receipt or issuance of such documents;

7.11.6. not to make any changes or modifications to amount of share capital, structure of unit holders and other authorised persons, representatives without any approval of Commission;

7.11.7. not to perform any payment obligations out of the Funds assets in the amount exceeds the limit specified in Fund's Charter, Prospectus, and agreement or any payments that are not indicated in these documents;

7.11.8. providing sufficient information to unit holders which would enable them to make a decision in accordance with Fund's Charter, Prospectus, and this regulation;

7.11.9. to comply with this regulation and other rules, requirements defined by the Commission;

7.12. Net asset valuation of Mutual Investment Fund s shall be disclosed to the public on the Fund's website within 2 hours after end of trading.

7.13. Independent valuator appointed and authorised by the Commission as a fit and proper entity must conduct net asset valuation of funds asset in compliance with regulation on Net Asset Valuation of Investment Fund adopted by the Commission.

7.14. It shall be prohibited a valuator or legal entity entitled to conduct net asset valuation to be a related party with common interests with Investment Management Company, Custodian, audit company and its employees.

7.15. An authorised Custodian is responsible for safekeeping of asset in trust on behalf of unit holders of Mutual Investment Fund and Investment Management Company under the agreement as asset custody services of Custodian must be regulated by the regulations adopted by the Commission.

7.16. A Fund Manager or eligible Custodian shall conduct asset registration of Mutual Investment Fund and report performance in its operational report.

7.17. If it is proven that a Fund Manager used Fund assets improperly with a purposes other than those specified in Fund's Charter and regulations and his illegal actions caused damage and losses to Fund assets, a Fund Manager shall be liable for any compensation for such loss and damages.

7.18. Unless otherwise specified in the Fund's Charter, if a depreciation of value of Fund assets and losses and damages caused from such depreciation has been caused by external factors such as social, economic, legal and other market factors, not by improper actions of Investment Management Company, Custodian or Governing Body, in that case, such losses and damages shall be borne by the Fund assets.

7.19. Calculations methods on income, expenses, profit, salaries and other accounting records of Mutual Investment Fund assets must have been properly exercised in accordance with the relevant regulations adopted by the Commission and other relevant Accounting Laws.

7.20. The maximum amount of service fees, promotional payments to Investment Management Company and Fund Manager must be specified in the Charter and Prospectus of the Fund and it shall be prohibited to pay them in the excess of the amount specified in Charter and Prospectus.

7.21. Unless otherwise specified in the Fund's Charter, Prospectus and Marketing Information, any type of payments for any charges, advertising fees will not be paid to neither Investment Management Company nor Fund Manager.

7.22. Any authorization to act on behalf of the Mutual Investment Fund shall be granted to Investment Management Company or Fund Manager as long as unit holders of the Fund conclude an asset management agreement with Investment Management Company based on the regulation on asset management developed by such investment fund.

7.23. The following requirements and restrictions shall apply to the investment activities of Mutual Investment Fund:

7.23.1. not to invest an amount equal to 10 % or more of Fund assets in the securities issued by one issuer;

7.23.2. not to deposit an amount equal to 20% or more of Fund assets in saving account or current account at commercial banks those authorised to undertake savings and credit activities;

7.23.3. the amount specified in 7.23.2 of this regulation shall be calculated as sum of the value of securities issued by such commercial bank only if securities are held in ownership of the same investment fund;

7.23.4. not to invest in securities with value equal to 10 % or more of total securities issued by any entity or to own solely 10% or more of total voting rights of such entity;

7.23.5. not to hold 25% or more of Units issued by another investment funds (this will equally apply to investment fund registered in foreign country);

7.23.6. not to invest in 10% or more of nominal value of debt instruments issued by one issuer;

7.23.7. others restrictions specified by the Commission.

7.24. In the case of net asset value of each Units of the Fund is more than nominal value of such Units, a promotional payment shall be provided. This provision shall be specified in the Fund's Charter, regulations and other relevant agreements thereto.

### **Eight. Investment Fund Accounting, Audit**

8.1. Accounting record of Mutual Investment Fund must be maintained by the applicable certified public accountant.

8.2. Financial records, statements of Mutual Investment Fund must be prepared in accordance with international financial reporting standards comply with the legislations applicable in the Mongolia.

8.3. A Fund Manager must keep Accounting Records that are sufficient to show and explain transactions and are as such, to:

8.3.1. be capable of disclosing the financial position of the Fund on an ongoing basis; and

8.3.2. record the financial position of the Fund as at its financial year end.

8.4. The Accounting Records must be:

8.4.1. at all reasonable times, open to inspection by the Commission or the Auditor and other financial regulatory authorities; and;

8.4.3. capable of reproduction, within a reasonable period not exceeding 2 business days, in hard copy.

8.5. A Fund Manager must ensure followings with respect to undertaking Audit function of the Fund:

8.5.1. prior to the appointment of the Auditor, take reasonable steps to ensure that the Auditor has the required skills, resources and experience and not subject to any conflict of interests, and is a fit and proper person to audit the type of Fund for which the Auditor has been appointed;

8.5.2. notify the Commission of the appointment of an Auditor to the Fund, including the name and business address of the Auditor and the date of the commencement of the appointment;

8.5.3. A Fund Manager must notify the Commission immediately if the appointment of the Auditor is or is about to be terminated, or on the resignation of the Fund's Auditor, giving the reasons for the cessation of the appointment.

8.5.4. A Fund Manager must appoint an Auditor to fill any vacancy in the office of Auditor to ensure audit functions been undertaken constantly. Former auditor's appointment shall be terminated as long as replacement Auditor can take up office at the time the vacancy arises or as soon as reasonably practicable.

8.5.5. provide such assistance as the Auditor reasonably requires to discharge its duties, give the Auditor a right of access at all reasonable times to relevant records and information, and not to interfere with the Auditor's ability to discharge its duties;

8.5.6. do not provide false or misleading information to the Auditor.

8.6. A Fund Manager must notify the Commission immediately if it becomes aware, or has reason to believe, that the Auditor has a conflict of interest and no longer meets the requirements for fit and proper entity, a Fund Manager shall take immediate steps to rectify the situation.

8.7. Unless otherwise provided by the Law and Auditor is aware of, any part of Auditor's function may be outsourced with other eligible entities, in that case, this shall not serve as a ground to exempt the Auditor from any liabilities and responsibilities.

8.8. An Auditor of Investment Fund must perform following functions as Fund Manager must take reasonable steps to ensure its implementation and requires the Fund's Auditor to:

8.8.1. conduct an audit of the Fund's accounts in accordance with the requirements of the relevant standards published by the International Auditing and Assurance Standards Board (IAASB);

8.8.2. include provisions stated in 8.9 of this regulations in the audit report.

8.9. Followings shall be stated in the audit report on Mutual Investment Fund:

8.9.1. Auditor's opinion on whether the accounting records have been properly prepared in accordance with the relevant accounting standards;

8.9.2. whether the accounting records give a true and fair view of the financial position of the Fund, including the net income and the net gains or losses of the Fund as at the end of the annual accounting period;

8.9.3. Auditor's opinion that includes proper accounting records for the Fund has not been maintained or that the accounts do not comply with the applicable accounting standards and there are disagreements on accounting reports on gains and losses from the Auditor's side;

8.9.4. any other opinion as required by this regulation and requirements by the Commission; and

8.9.5.information on Auditor’s skills, work experience;

8.9.6.information on materials, documents, explanations, any other information provided to the auditor during the audit;

8.9.7. opinion on consistency with information and accounting records in the report of Governing Body and Investment Management Company;

8.10. audit report on Mutual Investment Fund’s operation shall be attached to the annual operational and financial report;

### **Nine. Mutual Investment Fund reports**

9.1.Governing Body of Mutual Investment Fund must produce one semi-annual and one annual report in order to provide the unit holders of the Fund with up-to-date information about performance of Fund’s operation and financial view.

9.2. Governing Body of Mutual Investment Fund must produce the required semi-annual and annual report to the Commission before following dates:

9.2.1. An annual report within four months after the end of each annual accounting period, prior to unit holders meeting;

9.2.3. Semi-annual report to be submitted within 20<sup>th</sup> of July of each accounting period.

9.3. Governing Body of mutual investment fund shall not intend to change its annual or semi-annual accounting period specified in 9.2 of this regulation.

9.4. Complete financial statements respective to dates of semiannual and annual report of Mutual Investment Fund shall be attached to the reports.

9.5. Annual and semi-annual reports specified in 9.1 of this regulation must contain followings:

9.5.1. investment fund’s name, restatement of investment objectives, restatement of the policy for achieving those objectives, brief assessment of its risk profile plus international best practices and methods for risk evaluation and calculation;

9.5.2. information on of the investment activities during the period to which the report relates;

9.5.3. any other information which would enable Unit holders to make an informed judgement on structure of investment portfolio, valuation , any modifications, changes made into;

9.5.4. any other information which would enable Unit holders to make an informed judgement on the development of the activities of the Fund during this period and the results of those activities as at the end of that period;

- 9.5.5. review on financial performance of the Fund based on the financial statements for accounting periods specified in 9.4 of this regulation and review on comparative results described in 9.8 of this regulation;
- 9.5.6. the report of the independent Auditor if any;
- 9.5.7. Fund Manager's report for accounting period specified in 9.7 of this regulation;
- 9.5.8. internal audit's report;
- 9.5.9. cost ratios at the end of accounting period, comparative results;
- 9.5.10. particulars of any material issues raised by the Custodian and the Governing Body; if any, and;
- 9.5.11. others specified in the laws, regulations adopted by the Commission and Fund's Charter.
- 9.6. Fund Manager of Mutual Investment Fund must prepare the annual and semi-annual reports of the Fund in accordance with 9.1, 9.2 of this regulation and reports must:
- 9.6.1. be clear, complete, true and contain information for the relevant period;
- 9.6.2. be supplied free of charge to Unit holders and be made available in electronic format for inspection free of charge on the Fund's website;
- 9.6.3. be available in Mongolian, if the unit holders are citizen or entity of foreign country it shall be available in English upon request;
- 9.6.4. be sent to Commission prior to date stated in 9.2 of this regulation.
- 9.7. Fund Manager must contain following information in his report:
- 9.7.1. a review of the Fund's investment objectives, and performance during the period;
- 9.7.2. a review of the Fund's investment activities and investment performance during the period;
- 9.7.3. particulars of any fundamental change requiring prior approval of Unit holder meeting that have been made since the date of the last report;
- 9.7.4. particulars of any significant change requiring pre-event notification since the date of the last report;

9.7.5. any other information which would enable Unit holders to make an informed judgement on the development of the activities of the Fund during this period and the results of those activities as at the end of that period;

9.7.6. any other information on actions to be taken in further, investment policy, and the results of those activities.

9.8. A comparative table for the annual and semi-annual report of Mutual Investment Fund must set out followings over the last 3 years, or if the Fund has not been existence during the whole of that period, over the whole period in which it has been in existence as specified in 9.5.5 of this regulation:

9.8.1. the highest and the lowest price of a Unit of each class in issue during each of those years; and;

9.8.2. the net income distributed or, for accumulation Units, allocated for a Unit of each class in issue during each of those years, taking account of any sub-division or consolidation of Units that occurred during that period;

9.8.3. the total net asset value of the Fund Assets at the end of each of those years;

9.8.4. the net asset value per Unit of each class; and

9.8.5. for a report of Board of directors, the number of Units of each class in issue; or

9.8.6. for the report of the Fund Manager of any other Fund, the number of Units of each class in existence or treated as in existence; and

9.9. Following contents shall be covered to prepare comparative tables specified in 9.8 of this regulation:

9.9.1. if the Fund Manager has been the subject of any event such as a transfer scheme having a material effect on the size of the Fund, but excluding any issue or cancellation of Units for cash; or

9.9.2. include explanations, particulars to show more detailed comparative indicators in order to indicate impact of changes made in short term which creates an unrealistic results in longer term;

9.9.3. explanations on indicators over the years for any changes made in the investment objectives of the private investment fund, brief description on reasons of changes thereto.

### **Ten. Mutual Investment Fund Information and Marketing Information**

10.1. Mutual Investment Fund Information shall comprise of inside and public information depending on the scope of information.

10.2. Public information of Mutual Investment Fund shall comprise of following information:



10.2.1. Marketing Information;

10.2.2. information to the Commission;

10.2.3. information to public or Mongolian Stock Exchange if the Fund is registered on the stock exchange;

10.2.4. information to other government institutions in accordance with law.

10.3. An Inside information of Mutual Investment Fund shall include information as per following:

10.3.1. information to be disclosed at unit holders meeting of the investment fund;

10.3.2. information to be disclosed to Board of directors of investment fund;

10.3.3. information to be disclosed to the Investment Management Company;

10.3.4. information to be disclosed to the Custodian, auditor, accountant, valuator, broker and dealers;

10.3.5. other information as specified in the Fund's Charter and relevant regulations.

10.4. Any marketing information of Mutual Investment Fund shall be principal approach to attract investors, provide necessary information to the public on investment fund's activities.

10.5. The Market Information shall be disclosed either in Mongolian and English both in electronic format and hard copy.

10.6. Following informations stipulated in 10.7, 10.8 of this regulation shall be included in the content of market information for public specified in 10.5 of this regulation.

10.7. Information about particular documents of Mutual Investment Fund:

10.7.1. main objectives of investment, financial targets and plan to increase the Fund's assets effectively;

10.7.2. list of investment instruments, limits;

10.7.3. risk assessment with respect to investments made in each investment instruments, risk management methods and techniques;

10.7.4. requirements for investment fund's asset structure;

10.7.5. dividend policy.

10.8. Information about investment fund as per follow:

- 10.8.1. name of the Investment Fund;
- 10.8.2. address of business office of Investment Management Company, telephone, email address, facsimile;
- 10.8.3. commencement date and closing date of investment fund's operation;
- 10.8.4. general requirements for investors of investment fund, minimum capital to be invested in the investment fund;
- 10.8.5. statement on prohibition to have payment obligations or liability of payment to others to be paid by assets of unit holders meeting;
- 10.8.6. amount of Fund's assets, number of unit holders, names of unit holders, Prospectus;
- 10.8.7. asset management agreement between Investment Management Company and Fund Manager
- 10.8.8. Units of investment fund, and details of units;
- 10.8.9. name and address of eligible Custodian of investment fund;
- 10.8.8. liquidation procedures of investment fund;
- 10.8.9. Chart information and figures on growth and reduction of investment fund's assets;
- 10.9. General requirements for Marketing Information of Mutual Investment Fund:
  - 10.9.1. permission must have been granted by the Commission as specified in the article 29.2 of Investment Fund Law;
  - 10.9.2. information as specified in the article 29.1 of Investment Fund Law;
  - 10.9.3. information shall not to be provided such as false, misleading, unfairly prejudicial to the interest of unit holders;
  - 10.9.4. not to publicly advertise information regarding investing in investment fund in the form of information other than specified in this regulation;
  - 10.9.5. not to disclose any inside information related to business strategy of Investment Management Company;
  - 10.9.6. A Fund Manager shall be liable to provide any relevant marketing information free of charge to its potential new customers;
  - 10.9.7. Marketing Information of Mutual Investment Fund must be available free of charge to any Unit holder and to any Person who is eligible to invest in the Fund as long as the offer is open;

10.9.8. it shall be prohibited to be a offer to any person to become a unit holder of the Fund or to make advertisement to the level to affect significantly to become a unit holder;

10.9.9. Not to provide any information for the purpose to offer or persuade any person to become an unit holder of the Fund;

10.9.10. others as specified in the laws and legislations.

10.10. A Fund Manager will incur any liability for any loss in respect of Units caused by any marketing information disclosed to the public.

10.11. Mutual Investment Fund must disclose following information to the Commission:

10.11.1. annual, semi-annual reports, quarterly and annual financial reports of the Mutual Investment Fund ;

10.11.2. register of unit holders, prospectus;

10.11.3. type and number of units held by unit holders;

10.11.4. a copy of marketing information;

10.11.5. conclusion made by the Commission on supervision on investment fund;

10.11.6. information on securities transactions executed, trading, trading parties which are required to be disclosed by law;

10.11.7. any changes, modifications made to the organization, internal regulations, and procedures and changes made into;

10.11.8. others.

10.12. Any other information deemed as necessary by the Commission, information stated in 10.11 of this regulation and other informations shall be provided by the investment fund.

10.13. Mutual Investment Fund registered on the stock exchange may inform the following information to the Stock Exchange:

10.13.1. type, form and price of units in issuance;

10.13.2. Units Prospectus;

10.13.3. Prospectus of such investment fund;

10.13.4. information to be disclosed to public in accordance with Charter and internal regulations of stock exchange.

10.14. Following informations shall be disclosed at unit holders regular meeting of Mutual Investment Fund:

- 10.14.1. quarterly and annual report of the investment fund;
- 10.14.2. report on activities of Investment Management Company;
- 10.14.3. risk assesment conducted by the Fund Manager;
- 10.14.4. report of Custodian's operation and account statements;
- 10.14.5. agreement established with valuator, broker, and dealers;
- 10.14.6. Opinion issued by the Audit Committee;

10.15. Following informations shall be disclosed to Board of directors of Mutual Investment Fund:

- 10.15.1. quarterly and annual report of the Investment Management Company;

10.15.2. in the case of changes made in management level persons of investment management company, their names and brief introducton ;

10.15.3. prospectus, agreements of consultants who provides consulting services /legal, economics, business ;

10.16. Following informations shall be disclosed regarding the Investment Management Company of Mutual Investment Fund:

- 10.16.1. short term and long term goal of Investment Management Company;
- 10.16.2. risk management, risk assessment of investment fund;
- 10.16.3. business plan in terms of increase of assets of investment fund;
- 10.16.4. annual report and annual financial statements of investment managemet company;
- 10.16.5.human resources related information.

10.17. Investment Management Company or appointed Fund Manager shall be solely responsible for any risks associated with accuracy of such public and inside information.

### **Eleven.Oversight of Mutual Investment Fund**

11.1. Mutual Investment Fund's oversight shall consist of followings:

- 11.1.1. Internal audit;
- 11.1.2. Oversight by Audit;

11.1.3. Oversight and supervision undertaken by the Commission.

11.2. Investment Management Company must develop draft regulation of internal audit of Mutual Investment Fund to be approved by unit holders' meeting.

11.3. Mutual Investment Fund shall have an internal audit committee appointed by its Board with at least 3 members and at least one of them must be a licensed person to conduct audit and shall have experience of more than 3 years.

11.4. Internal audit committee members of Mutual Investment Fund must meet the following criteria namely that person:

11.4.1. is suitably qualified;

11.4.2. is fit and proper; and

11.4.3. is experienced in relevant field;

11.4.4. is independent, is not subject of any conflict of interest.

11.5. Internal audit committee of Mutual Investment Fund to provide oversight function to a Fund shall:

11.5.1. act honestly;

11.5.2. exercise the degree of care and diligence;

11.5.3. act in the best interests of the Unit holders in the Fund and, if there is a conflict between the Unit holders' interests and his own interests, give priority to the Unit holders' interests;

11.5.4. not to make any improper use of his position, or information acquired in that position, in order to gain an advantage for himself or another person; or cause detriment to Unit holders in the Fund;

11.5.5. disclose to the Fund's auditor any information relevant for the auditor to discharge its obligations;

11.5.6. comply with any other duty or obligation under the regulation on oversight of Investment Fund and its Charter;

11.6 The Audit Committee of Mutual Investment Fund providing the oversight function must:

11.6.1. monitor whether the Fund Manager is managing the Fund in accordance with the Charter and contractual obligations under the asset management agreement;

11.6.2. assess whether the Fund Manager's controls, particularly those relating to risk management and compliance;

11.6.3. monitor Custodian's activities.

11.7. Audit Committee of Mutual Investment Fund providing the oversight function of a Fund must submit a report to Unit holders meeting once a year which must be included in the Fund's annual report.

11.8. Custodian shall monitor investment management company's activities in terms of its performance of obligations under the Investment Fund Law, other legislations, regulations adopted by the Commission, Fund's Charter, regulation on asset management, investment policy documents and agreement made with investment fund.

11.9. An accountant of Investment Management Company may conduct oversight on Custodian's activities for safekeeping of assets of the Mutual Fund.

11.10. Unit holders of Mutual Investment Fund is authorised to monitor activities of investment management company and activities of competent Custodian and if it is necessary, unit holders are authorised to terminate the agreement.

11.11. Oversight role of audit shall be undertaken by the independent auditor in compliance with laws, legislations, and the result shall be included in opinion made by auditor in a regular bases.

11.12. Oversight role of the Commission on Fund's activities shall be focused on compliance of activities of the Fund against laws, relevant regulations, terms and requirements for licensing.

11.13. Commission must conduct following off-site audits to the Mutual Investment Fund's operation:

11.13.1. unit holder's regular meeting of investment fund;

11.13.2. Fund's financial statements

11.13.3. Fund Information;

11.13.4. set of internal regulations of investment fund;

11.13.5. audit based on the feedbacks and complaints from unit holders of the Fund;

11.13.6. oversight on public news via public broadcasting;

11.13.7. oversight on requests, complaints from customers.

11.14. Audit Committee of investment fund must submit required documents to the Commission in specified time.

11.15. State inspector of Commission shall implement its authorization stipulated in article 85 of Securities Market Law.

## **Twelve.Criteria for Fit and Proper Entity/Person for Mutual Investment Fund**

12.1. Following entities/persons who engages in mutual investment fund operations must meet criterias for fit and proper entity/person:

12.1.1. Fund Manager;

12.1.2. Custodian;

12.1.3. auditor;

12.1.4. accountant;

12.1.5. valuator;

12.1.6. investment management company, its employees, advisors;

12.1.7. legal consultant.

12.2. Governing Body of Mutual Investment Fund is responsible for monitoring compliance of fit and proper entity/person requirements for the Fund's day-to-day operations where Commission issues a conclusion on implementation of such requirements for fit and proper based on the information provided by the Governing Body of the Fund.

12.3. the following criterias shall be met for fit and proper entity/person:

12.3.1. to be able to work in professional level in good faith;

12.3.2. if such person/entity has been engaged in prohibited activities specified in the article 86.1.2 of Securities Market Law, /if it is an individual, whether he/shewas held as responsible for its occupation, qualification, experience, job, position, and she/he is fit and proper person in terms of financial soundness, and ethics/;

12.3.3. to disclose any information about related or connected entities/persons, not to undertake any activities subject to conflict of interests.

12.3.4. other criterias defined by the Commission;

12.4. Commission makes judgement on whethersuch entity/person meets the criteria of fit and proper entity/person based on the information as specified in the article 68.2 of Securities Market Law:

12.4.1. application and other relevant documents submitted by such entity;

12.4.2. authorised officer of regulated entity, any entity/person who officially represents him;

12.4.3. in the case of regulated entity is affiliate of corporation, details of such entity, its major shareholders, related party, and authorised officer;

12.4.4. information on whether the regulated entity has established its operational procedures, its prudent internal audit system and risk management system;

12.4.5. any additional information deemed as necessary by the Commission.

12.5. any entity/person must engage in investment fund activities only if he is entitled as a fit and proper based on the judgement made by the Commission.

12.6. the judgement specified in 12.4 of this regulation shall not serve as a guarantee to such entity/person to be a fit and proper permanently. In the event of such entity/person does not meet criterias for fit and proper any longer or any circumstances which would have caused a failure to meet the fit and proper criteria were unknown yet when the Commission made its judgement and in the case of those circumstances are recently discovered, any activities conducted by such entity/person shall be suspended until decision is made by the Governing Body of investment Fund or Board of directors.

12.7. in the event of any entity specified in 12.1 of this regulation intends to conclude an agreement with its related party with common interests, he shall act to comply with provision stated in article 12 of Company Law.

### **Thirteen. Investment Fund Merger and Acquisition**

13.1. Acquisition means any event that the rights and obligations of investment fund is transferred to another investment fund upon the one of Fund's operation has been terminated.

13.2. An authorised entity which decides undertaking of Investment Fund Acquisition shall be only the unit holders meeting of the Fund where the decision must be approved by majority of votes of total unit holders.

13.3. A Fund Manager must present and discuss issues such as undertaking Fund Acquisition, Agreement on Fund Acquisition at unit holders meeting of Fund that is being acquired or the Fund that acquires the other one.

13.4. Followings shall be included in the draft regulation on investment fund acquisition.

13.4.1. procedures of converting securities of Fund that is being acquired to the securities of Fund that acquires the other one;

13.4.2. Procedures on delegation of new Custodian;

13.4.3. If both Funds have one investment management company, asset management agreement of the Fund that is being acquired shall be invalid while asset management agreement of the Fund that acquires the other one shall be re-established with the investment management company;



13.5. Regulation on Fund Acquisition, agreements, and other relevant documents developed based on the decision made by unit holders meeting of each fund shall be submitted by the Fund Manager to the Commission.

13.6. If the documents stipulated in 13.5 of this regulation such as regulation, agreement, and other relevant documents do not violate any law, and is not likely to result in any material prejudice to the interest of the Unit holders of the Fund, the Commission shall consider such Fund as acquired and suspend licensing of the Fund that is being acquired.

13.7. A Fund Manager must delist the name of investment fund from stock exchange listing and registration of state registration of legal entity.

13.8. Mutual Investment Fund shall bear all the costs associated with Fund Acquisition by its own fund.

13.9. Merger means any event that the rights and obligations of Funds transferring to the new investment fund upon two or more of investment fund's operation have been terminated.

13.10. Fund Managers of each investment fund that are merged shall present and discuss the following issues at unit holders meeting of each Fund respectively.

13.10.1. draft decision to undertake Fund Merger;

13.10.2. agreement specifies the terms and conditions and procedure for Fund Merger;

13.10.3. Charter of new Fund;

13.10.4. procedures specified conversion of securities of Fund to the securities and other assets of new investment Fund;

13.11. Any decision, procedures, agreement raised from the Investment Fund Merger shall be approved by overwhelming resolution of the Unit holders by majority of votes of members participating at unit holders meeting.

13.12. the Charter of new investment fund shall be approved by the unit holders meeting of investment fund and Board of directors shall be selected by the unit holders meeting also.

13.13. voting rights applicable to unit holders meeting of Investment Fund shall be equal to those converted voting rights specified in 13.10.4 of this regulation.

13.14. Fund Managers of each Fund that are merged must submit relevant documents specified in 13.10.1-13.10.4 of this regulation.

13.15. Commission revokes license of Funds that are merged based on the receipt of documents.

13.16. Fund Managers must delist the name of the Funds that are being merged from the Stock Exchange listing and State registration of Legal entity.

13.17. Investment Fund shall bear all the costs associated with Fund Merger by its own funds.

## **Fourteen. Investment Fund registered in Foreign Countries**

14.1. Investment Fund registered in foreign countries may undertake its operation in the territory of Mongolia as long as the Fund is registered with the Commission under the requirements and limits defined by the article 43.2, 43.3 of Investment Fund Law.

14.2. Following criteria shall be met for Investment Funds registered in Foreign Countries to be registered with the Commission:

14.2.1. must be licensed to undertake investment activities by the Financial or other regulatory body of Capital Market that is recognized by the Commission;

14.2.2. must have financial capacity necessary to undertake investment activities in Mongolia ;

14.2.3. must have eligible Custodian;

14.2.4. its authorised officer must be fit and proper;

14.2.5. must be complied with Investment Fund Law within scope of its operation, disclose any such information specified by law and regulations to the public, Commission and investors in a timely basis.

14.3. Following documents must be included in the application to register Foreign Investment Fund with the Commission:

14.3.1. information relevant to legal entity of such investment fund, copy of certification issued in relevant jurisdiction;

14.3.2. copy of license on investment activities granted by competent regulatory authority in its own jurisdiction;

14.3.3. copy of licenses in effect in order to attest the authorization of Custodian, investment management company and Fund Manager's Activities;

14.3.4. No objection letter from regulatory body in its own jurisdiction specified undertaking of investment activities in Mongolia, a copy of the decision made by the Governing Body of such Investment Fund;

14.3.5. Statements made by any legal entity or person who provides management services to the investment fund;

14.3.6. copy of financial statements of last quarter or statements as of year end of previous year.

14.4. The Commission must make its decision to register such fund within the 1 month after the receipt of complete application.

14.5. if Commission decides to register the Fund, working group will execute the registration and informs applicant in writing where the scope of activities, requirements and conditions for Fund's operation shall be included.

14.6. Investment Fund registered in Foreign Countries shall be eligible to launch its operation in Mongolia starting from the date that the Fund received a written response from Commission.

14.7. If Commission refuses to register the Investment fund registered in foreign countries, Commission must notify to applicant within 5 business days.

### **Fifteen. Investment Fund Liquidation**

15.1. Pursuant to Article 30.1 of the Investment Fund Law that may require a Fund to be liquidated in the following circumstances:

15.1.1. the expiration of any period of operation of which the Fund is to terminate; or

15.1.2. it was decided to liquidate the Fund on a voluntary basis through the decision made by unit holders meeting;

15.1.3. as specified in the Securities Market Law, investment management company convened unit holders meeting of the Fund where unit holders decided to liquidate the Fund;

15.1.4. an extraordinary situation were raised as court's decision to liquidate the Fund has become in effective;

15.1.5. Investment Fund was bankrupted;

15.1.6. others as stated in law;

15.2. Decisions to liquidate the Mutual Investment Fund shall be made by the following entity in accordance with article 30.2 of Investment Fund Law.

15.2.1. based on grounds stated in Articles 14.1.1-14.1.3 of this Law, an unit holders meeting of investment fund;

15.2.2. based on grounds stated in Articles 14.1.4, 14.1.5 of this Law and request made by the Commission or other authorized body, the court;

15.2.3. other authorized body stated in the regulation;

15.3. Registration of the investment fund or its prospectus of units, or granting the license to an investment fund to undertake operations of an investment fund, or granting the license to regulated entities of the securities market to provide services to an investment fund shall not be considered as a guarantee of a state organization for the fund's operations and the state organization shall not be liable for any loss, or damage caused to the investment fund member or to third parties due to the investment fund's or service provider's operations.

15.4. In the case of mutual investment fund is being liquidated on voluntary bases prior its operation term expires, the liquidation procedures shall be taken in accordance with following:

15.4.1. A Fund Manager of the investment fund prepares the draft procedures on Fund's liquidation where the regulation on liquidation of the Fund shall be presented and approved by unit holders meeting of the Fund;

15.4.2. A Fund Manager shall deliver the documents such as the decision made the unit holders meeting of the Fund to liquidate the Fund, regulation on liquidations of the Fund, and other relevant documents to the Commission;

15.4.3. The Commission may permit to proceed liquidation procedures based on the review of relevant documents, and may appoint authorised entity who shall conduct monitoring on such liquidation procedures;

15.4.5. In the case of Mutual Investment Fund received the permission from Commission shall be obliged to deliver a copy of the regulation on liquidation of investment fund to the unit holders and inform to the public about liquidation within two business days on its website;

15.4.6. A Fund Manager shall terminate the Custodian's operation immediately after a decision is made to liquidate the Mutual Investment Fund by the unit holders' meeting and shall ensure to safekeeping of assets of unit holders of the Fund.

15.4.7. All the costs associated with selling assets of the Fund, performing any payment obligations to others on behalf of the Fund, settling remaining payments claimed from others shall be borne by the Fund's assets whereas the remaining balance of cash must be distributed to unit holders based on number of units held in unit holders;

15.4.8. The period to receive any claims from entities that have receivables from Mutual Investment Fund shall be within two to six months after the date of public notice is made;

15.4.9. After the period expires to receive any outstanding claims from those who have receivables from the Mutual Investment Fund, the liquidator shall submit a financial report to the Commission which includes total asset of the Fund and total amount of payments to be paid and if Investment Management Company is undertaking liquidation procedure, the financial report shall be reviewed by the Custodian;

15.4.10. If Mutual Investment Fund is to be liquidated due to failure to raise necessary assets or the volume specified in the regulation on trust management of the assets is not reached during its establishment procedure, the liquidator shall dispose assets raised by the fund and shall make payments in accordance with an order specified in Article 38 of this Law within two weeks since the date that fundraising is expired.

15.4.11. A Fund Manager must submit the report to the Commission on liquidation of Mutual Investment Fund within 5 business days after Fund's liquidation procedure is finished;

15.4.12. If any complaints, proposals, offers regarding the liquidation of the Fund were not received within the 30 days after the receipt of notification, the Commission may register the Fund as liquidated and delist the name of the Fund from State registration;

15.4.13. Investment Fund shall withdraw the shares issued on the market after the decision is made on liquidation by its unit holders, and shall deliver the regulation on liquidation procedures to the stock exchange, at the result the Fund shall be delisted from the Stock exchange.

15.5. The Commission must execute the liquidation procedures based on the grounds specified in 14.1.4 of this regulation in accordance with Investment Fund Law and other relevant legislations.

### **Sixteen.Responsibilities**

16.1. If it is identified that there is any violation and breach of the relevant provisions of this regulation as specified in the Securities Market Law, Investment Fund Law and other legislations, the offender shall be imposed with administrative penalty by the State Inspector of Commission

16.2. An offender who breached the contractual obligations under the asset management agreement shall not be imposed by penalty by this regulation.

16.3. Imposing administrative penalty for the offender as specified in 16.1 of this regulation shall not serve as a ground to release such entity/person from any of its obligations, liabilities for the compensation of damages caused to others.

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