

This English translation of the “Regulation on licensing to undertake regulated activities in the securities market” has been prepared, reflecting up to the Resolution No 506 of the Financial Regulatory Commission dated as of December 12, 2013. 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.

*Appendix to Resolution No 506 of the Financial Regulatory Commission
dated as of December 12, 2013*

REGULATION ON LICENSING TO UNDERTAKE REGULATED ACTIVITIES IN THE SECURITIES MARKET

One. General Provision

1.1. The purpose of this regulation is to regulate relations regarding Financial Regulatory Commission (hereinafter “Commission”) granting licence to the legal entity undertakes regulated activities in the securities market (hereinafter “regulated entity”), suspending licence, recover, terminate, shared capital for establishing affiliated branch, shareholders’ structure, modification to proper name, determining fit and proper entity and appointment of chief executive officer.

1.2. Regulated activities specified in 1.4.1-1.4.10, 1.4.16 of this regulation shall be regulated by this regulation; regulated activities specified in 1.4.11-1.4.15 shall be regulated by their separate procedures accordingly.

1.3. In respect of granting licence, principles shall be utilized such as state policies managed regarding the development of securities market, protecting shareholders’ and investors’ legitimate interests, transparent, efficient and fair policies.

1.4. Commission may grant licence to the regulated entity to undertake following regulated activities in accordance with article 24.1 of Securities Market Law and article 6.2.7 of Banking Law:

- 1.4.1. securities brokerage activities;
- 1.4.2. securities dealing activities;
- 1.4.3. securities investment advisory activities ;
- 1.4.4. underwriting activities;
- 1.4.5. registration of securities ownership rights activities ;
- 1.4.6. securities clearing activities;
- 1.4.7. securities settlement activities;
- 1.4.8. securities central depository activities;
- 1.4.9. undertaking securities trading activities;
- 1.4.10. other investment activities to be performed on behalf of customer ;
- 1.4.11. investment fund activities;
- 1.4.12. investment management activities;
- 1.4.13. managing securities in trust activities;
- 1.4.14. custodian activities;
- 1.4.15. financing capacity rating activities;
- 1.4.16. other activities as Commission deemed as regulated.

1.5. Following regulated activities may be undertaken concurrently:

- 1.5.1. other investment activities to be performed on behalf of customer undertaken concurrently with underwriting activities;
- 1.5.2. underwriting activities concurrently undertaken with custodian activities;

1.5.3. activities permitted by the Commission to be undertaken in particular case..

1.6. It shall be prohibited to undertake activities concurrently other than those specified in 1.5 of this regulation.

1.7. If one regulated entity undertakes concurrently more than one licensed activities stated in this regulation, financial requirements shall be obliged to each of licensed activities accordingly.

1.8. Regulated entity shall engage in only regulated activities and shall be prohibited to engage in other activities concurrently.

1.9. Article 1.7 of this regulation shall not apply to the banks.

1.10. Legal entity authorised to undertake brokerage activities may engage in activities of selling or purchasing securities in foreign securities market based on registering with the Commission as specified in article 36.16 of Securities Market Law.

1.11. It shall be prohibited for any religious organization and non-government organizations to invest in legal entity, own shares, participate in operation as independently.

1.12. Regulated entity shall undertake its operation in consistent, stable and continuous manner.

1.13. As stated in the article 5.3 of Law on Licensing, it shall be prohibited to transfer special licence to others by way of selling, giving as a gift, or as a pledge respectively.

Two. Conditions, requirements for regulated entity

2.1. Legal entity requesting special licence to undertake regulated activities shall meet with following requirements:

2.1.1. it shall be established in the form of joint stock company or limited liability company according to article 13, 18 of Company Law;

2.1.2. Regulated entity in securities market shall comply with requirements for minimum amount of shared capital as set in appendix 8 of this regulation..

2.1.3. Director and specialists of regulated entity must be obtained licence to undertake activities from professional association in accordance with procedures to issue professional licence as specified in the article 69.2 of Securities Market Law;

2.1.4. It shall ensure to have full time staff to carry out internal supervisory activities who obtained professional licence as specified in 2.1.3 and does not work concurrently as a chief executive officer, broker, dealer, and evaluation, research, and investment adviser;

2.1.5. Shareholder of regulated entity /as of joint stock company, shareholders of more than 5 percent of total shares /, chairman of board of directors, members, chief executive officer, internal supervisory staff and specialists shall ensure to comply with following requirements:

2.1.5.1. no record of crime;

2.1.5.2. no overdue debts obligated under loan, collateral agreement ;

2.1.5.3. has not been employed in position of chairman of board of directors, member, and chief executive officer at professional organization participates in financial market which its special licence has been terminated within last 5 years;

2.1.5.4. chief executive officer , specialists of regulated entity shall not be employed in other organization as a full time employee concurrently and shall not own 5 or more than 5 percent of shares of another regulated entity;

2.1.5.5. must meet requirements of fit and proper entity according to article 13 of this regulation.

2.1.6. To have internal supervisory procedures to identify potential conflict of interests, evaluate, and manage such conflict which may arise in regulated activities;

2.1.7. To facilitate office space as suitable to receive customers as separate from other staff except brokers and shall decorate properly as for service area. Appropriate office furniture, equipment, computer, printer, copier, dictaphone, and fax machine shall be provided;

2.1.8. Software and hardware must work accordingly as complying with internal procedures of activities to be undertaken in accordance with special licence, integrated information database procedures determined by the Commission, Accounting guidelines and shall be fully capable of providing necessary information in timely manner when it is required, capable of storing information on transactions related to customer agreement, customer registration, and transfer of customer assets;

2.1.9. As of 100 percent foreign invested regulated entity, at least 70 percent of total employees shall be Mongolian citizens. зуун хувьгадаадын хөрөнгө оруулалттай зохицуулалттай этгээдийн

2.1.10. Chief executive officer, and specialists of regulated entity may have insured in responsibility insurance;

2.1.11. Brokerage service of industry of regulated entity may be executed by primary broker and primary broker must have obtained licence as stipulated in 2.1.3 of this regulation. Unless prohibited by the law, such broker may undertake concurrently primary brokerage service with his main business. .

2.1.12. In order to determine requirements specified in 2.1.5 of this regulation, it shall be based on following information:

2.1.12.1. application and relevant documents;

2.1.12.2. reference by tax authority stated there is no tax liabilities;

2.1.12.3. reference by police office stated there is no criminal record;

2.1.12.4. reference by loan information database of Mongolbank on overdue loan debts, reference by Court decision implementing agency;

2.1.12.5. reference of previous employee of chief executive officer, and specialist;

2.1.12.6. other additional information that Commission deemed necessary.

2.1.13. In case of foreign invested regulated entity is not possible to provide information specified in 2.1.5.1-2.1.5.3 of this regulation due to such jurisdiction's legislation, it may be delivered information from shareholders of such foreign invested regulated entity.

2.1.14. If foreign invested regulated entity's investor is foreign legal entity, notarized copy of legal entity certification registered with such jurisdiction's registration authority, if investor is foreign citizen, information including its full name, residential address, phone number, fax, e-mail shall be delivered.

2.2. If Commission deemed as necessary, it may require reference by such jurisdiction's relevant authority in accordance with article 64.4 of Securities Market Law.

2.3. Securities trading organization shall ensure to meet following conditions and requirements in addition to those specified in article 47,49 of Securities Market Law, and 2.1 of this regulation:

2.3.1. To have section to undertake securities trading;

2.3.2. To have section to carry out internal supervisory activities;

2.3.3. To have section to undertake activities concerning registering shares to be newly issued or delisting securities;

2.3.4. To have section to monitor securities trading;

2.3.5. To have section of information and technology;

2.3.6. A legal entity requested licence for securities trading shall have an access to e-network of securities clearing, settlement and depositary organization.

2.4. Securities clearing organization shall comply with following conditions and requirements in addition to those functions specified in article 43 of Securities Market Law and 2.1 of this regulation:

2.4.1. To be facilitated by software, techniques, and equipment necessary to conduct securities clearing activities;

2.4.2. To have section to conduct securities clearing activities;

2.4.3. To have information and technology section;

2.4.4. To have section of risk management of securities clearing;

2.4.5. A legal entity requested special licence for undertaking securities trading clearing activities shall have an access to e-network of securities clearing and settlement and central depository organization, and relevant custodian.

2.5. Securities settlement organization shall comply with following conditions and requirements in addition to those functions specified in article 44 of Securities Market Law and 2.1 of this regulation:

2.5.1. To be facilitated by software, techniques, and equipment necessary to conduct securities settlement activities;

2.5.2. To have section to conduct securities settlement activities;

2.5.3. To have section of risk management of securities clearing;

2.5.4. A legal entity requested special licence for undertaking securities trading settlement activities shall have an access to e-network of securities clearing and settlement and central depository organization, and relevant custodian.

2.6. Securities central depository organization shall comply with following conditions and requirements in addition to those functions specified in article 45 of Securities Market Law and 2.1 of this regulation:

2.6.1. To have section to undertake securities central depository activities;

2.6.2. To have section to monitor activities of inside information holders, internal activities of organization and to resolve claims, complaints and offers received from the customers;

2.6.3. To have section of information and technology;

2.6.4. To have section to calculate and evaluate securities depository risks;

2.6.5. A legal entity requested special licence for undertaking securities depository activities shall have an access to e-network of securities clearing and settlement and central depository organization, and relevant custodian.

2.7. Securities ownership rights registration organization shall comply with following conditions and requirements in addition to those functions specified in article 42 of Securities Market Law and 2.1 of this regulation:

2.7.1. To have section to carry out solely securities ownership rights registration activities;

2.7.2. To have section to monitor activities of inside information holders, internal activities of organization and to resolve claims, complaints and offers received from the customers;

2.7.3. . To have section of information and technology;

2.7.4. A legal entity requested special licence for undertaking securities ownership rights registration activities shall have an access to e-network of securities clearing and settlement and central depository organization, and relevant custodian.

2.8. Organization to undertake brokerage activities shall comply with following conditions and requirements in addition to those functions specified in article 27 of Securities Market Law and 2.1 of this regulation:

2.8.1. A legal entity requested special licence to undertake brokerage activities shall meet with conditions, requirements specified in membership procedures of Securities trading organization ;

2.8.2. To have at least 2 staff licensed to undertake brokerage activities.

2.9. Organization to conduct dealing activities shall to ensure to meet following requirements in addition to those specified in article 27 of Securities Market Law and 2.1 of this regulation:

2.9.1. A legal entity requested special licence to undertake dealing activities shall meet with conditions, requirements specified in membership procedures of Securities trading organization;

2.9.2. To have full time employee to undertake dealing activities.

2.10. Organisation to undertake underwriting activities shall comply with article 27 of Securities Market Law, and 2.1 of this regulation, moreover, shall have at least 3 staff to interact with project, research, evaluation, investor, and securities issuer who obtained license to carry out suitable activities from professional association in accordance with article 69.2 of Securities Market Law, and who do not concurrently undertake other licensed activities, or internal supervisory activities.

2.11. A legal entity undertakes securities investment advisory activities shall comply with following conditions and requirements in addition to those specified in article 2.1 of this regulation:

2.11.9. To have full time employees to undertake investment advisory activities;

2.11.10. To have full time legal specialist to prepare and review investment advisory services agreement;

2.11.11. A specialist specified in 2.11.9 of this regulation must have licensed to conduct services in the securities market as specified in 2.1.3 of this regulation and shall have work experience of investment adviser;

2.12. Brokerage, dealing, underwriting and investment advisory company shall establish fund in order to prevent operational risk by capital of at least 3 percent of total contributed capital.

2.13. Relations regarding the Risk fund specified in 2.12 of this regulation shall not be regulated by regulation on “Risk fund of regulated entities” adopted by resolution no 507 of 2013 by the Financial Regulatory Commission.

Three.Required documents to grant special licence

3.1. Entity requested special licence to undertake regulated activities may submit following documents to the Commission in addition to those specified in article 11.1 of Law on Licensing, and article 27.2 of Securities Market:

3.1.1 application for special licence / according to appendix 1 to this regulation /;

3.1.2. original copy or notarised copy of decision of board of directors regarding undertaking regulated activities /if not available, shareholders’ meeting/;

3.1.3. notarized copy of state registration certification of legal entity requested special licence to undertake regulated activities, as of foreign invested entity, notarized copy of certification issued by Foreign Investment Agency хуулийн этгээдийн;

3.1.4. charter of company registered with state registration. Following conditions shall be included in the charter in addition to those specified in article 16 of Company Law:

3.1.4.1. size of contributed capital, term of restructure ;

3.1.4.2. procedures of shareholders’ meeting, procedures to be pursued during large amount of transactions or agreements with conflict of interest, full authority of management in this case;

3.1.4.3. rights and obligations of shareholders’ meeting, board of directors, and internal supervisory unit;

3.1.4.4. arrangements on trading shares of regulated entity, transfer to others, make restriction against each other;

3.1.4.5. Grounds for liquidation of regulated entities, principles to be observed for responsibility and solutions to recover loss and damages incurred to investors, customers due to wrong actions of management and relevant specialists.

3.1.5. Documents evidencing that sources of shared capital of legal entity undertakes regulated activities consists of legal income and reference of its source;

3.1.6. Bank statement on assets as a part of contributed capital of legal entity undertakes regulated activities is deposited at account of relevant bank and other evidences ;

3.1.7. Bank statement on brokerage, dealing and underwriting company that they deposited asset of risk prevention fund which comprises of at least 3 percent of total contributed capital in the relevant bank's account

3.1.8. Regulation on implementation and enforcement of Law on Combating Money Laundering and Terrorism;

3.1.9. financial report of last quarter audited by recognized audit organization by the Commission, initial balance sheet if it is established newly аудитын байгууллагаар баталгаажуулсан;

3.1.10. Reference of authorised officials who own more than 5 percent of shares in accordance with appendix 2 of this regulation;

3.1.11. copy of certificate of executive management and specialists stated in 2.1.3 of this regulation, description as specified in appendix 3 of this regulation болон мэргэжилтнүүд ;

3.1.12. Description on whether shareholders, executive management and specialists are fit and proper entities;

3.1.13. Shares trading and transaction report of last one year of legal entity if such legal entity undertakes regulated activity in the form of joint stock company;

3.1.14. If business office is in the ownership of company, its real estate certification, if it is rented, notarized copy of lease agreement;

3.1.15. Business and risk management plan covering at least three years in terms of undertaking regulated activities in accordance with appendix 5 of this regulation ;

3.1.16. Internal organization structure, introduction of legal entity undertakes regulated activities;

3.1.17. Introduction of each section to manage regulated activities respectively in case of undertaking regulated activities concurrently;

3.1.18. List of equipments to be used for main activity, job description prepared in accordance with appendix 4 of this regulation;

3.1.19. Procedures on internal supervision to identify, evaluate and manage potential conflict of risks that may arise during regulated activities according to 2.1.6 of this regulation;

3.1.20. Internal procedures preventing from market abuse in accordance with relevant regulations of Commission;

3.1.21. Official letter from the President of Mongolbank states that permission on undertaking regulated activities of bank, its parent, subsidiary and daughter company, and any legal entity joined the bank, who owns more than 5 percent of shares of such bank .

3.2. A legal entity requested special licensing for undertaking securities trading may submit following documents in addition to those stated in article 21.2.2 of Securities Market Law and 3.1 of this regulation:

3.2.1. Introduction of software to be used in main operation;

3.2.2. Securities listing procedures;

3.2.3. Internal procedures to be obeyed in accordance with article 47.2 of Securities Market Law;

3.2.4. Form of details of chairman of board of directors and members of securities trading organization /fill out in accordance with appendix 3 of this regulation/

3.2.5. Structure of composition of shareholders of organization that is going to undertake securities trading арилжаа эрхлэх байгууллагын хувьцаа эзэмшигчдийн бүтэц;

3.2.6. Guarantee by shareholders and executive management on not to engage in transactions with conflict of interest, to not create any situation with conflict of interest by them;

3.2.7. Draft agreement which to be concluded with legal entity undertakes securities clearing, settlement, and central depository activities;

3.2.8. Draft agreement of membership;

3.2.9. Technical specifications of software, techniques, equipment and work place in accordance with appendix 4 of this regulation, and agreement established with others or its notarised copy in respect of measures taken to resolve the issues regarding security, safety operations of such equipment, software and work place.

3.3. A legal entity requested special licence to carry out securities clearing activities may submit following documents in addition to those stated in 3.1 of this regulation:

- 3.3.1. risk management guidelines of securities clearing activities;
- 3.3.2. internal procedures on establishing fund to protect investors from potential risks in respect of securities clearing and terms and conditions to dispose fund assets;
- 3.3.3. draft agreement to be concluded with securities clearing and depositary organization;
- 3.3.4. draft agreement to be concluded with entity engages in securities clearing activities and rights and obligations arises during securities clearing activities;
- 3.3.5. procedures on clearing activities of payment for securities trading, non trading transactions and procedures on monitoring the information database, storage and security of such database.

3.4. A legal entity requested special license to undertake securities settlement activities may submit following documents in addition to those stated in 3.1 of this regulation.

- 3.4.1. Securities settlement procedures;
- 3.4.2. Procedures on establishing fund to protect investors from potential risks that may arise during the settlement activities and conditions on disposal of such fund;
- 3.4.3. Draft agreement to be concluded with organization undertakes securities trading, and clearing and depositary activities;
- 3.4.4. draft agreement to be concluded with entity engages in securities settlement activities and rights and obligations arises during securities settlement activities;
- 3.4.5. procedures on settlement activities of payment for securities trading, non trading transactions;
- 3.4.6. procedures on monitoring the information database, storage and security of such database.

3.5. A legal entity requested special licence to undertake securities depositary activities may submit following documents in addition to those specified in 3.1 of this regulation *хадгаламжийн*:

- 3.5.1. Procedures on functions of unit to undertake securities depositary activities;
- 3.5.2. internal procedures and guidelines to be obeyed within the scope of article 45 of Securities Market Law;
- 3.5.3. draft agreement to be established with insurance organization in purpose of protecting customers' asset from potential risks;
- 3.5.4. draft agreement on depositary service with client organizations;
- 3.5.5. draft agreement to be established with the commercial bank where to deposit cash and assets from selling of securities and dividend income of customer;
- 3.5.6. type of services rendered for customers, and amount of such service fees and charges;
- 3.5.7. procedures on monitoring of securities depositary, database, and its security;
- 3.5.8. procedures on maintaining normal operation of market, exchange of information with member Custodian in a regular basis.

3.6. A legal entity requested special licence to undertake securities ownership rights registration activities may submit following documents in addition to those specified in article 3.1 of this regulation:

- 3.6.1. procedures to undertake securities ownership rights registration activities ;
- 3.6.2. internal regulations to be obeyed regarding carrying out activities specified in article 42 of Securities Market Law;
- 3.6.3. draft agreement of ownership rights registration to be established with customer;
- 3.6.4. internal operation procedures that regulates relations concerning securities ownership rights registration: Followings shall be included:
 - 3.6.4.1. such documents, and informations that securities ownership rights registration shall be based on ;
 - 3.6.4.2. account statement of customer, its form, content, and covering period ;

- 3.6.4.3. guidelines of registering securities in customer's account, archiving of documents of securities ownership rights registration;
- 3.6.4.4. type of services provided for customers, service fees;
- 3.6.4.5. procedures on monitoring of securities ownership rights registration, transfer, information database, its storage and security;
- 3.6.4.6. draft agreement to be established with customer on maintaining records and registration of securities;
- 3.6.4.7. other necessary documents.

3.7. A legal entity requested special licence for undertaking brokerage activities may submit following documents in addition to those specified in 3.1 of this regulation:

- 3.7.1. original copy or notarised copy of following documents shall be submitted:
 - 3.7.1.1. brokerage activities procedures;
 - 3.7.1.2. internal supervisory activities procedures;
 - 3.7.1.3. procedures on preventing risks of customers;
 - 3.7.1.4. procedures on delivering information to the customers and investors.
- 3.7.2. Conclusion made by Securities trading organization on satisfaction of requirements of such brokerage company to participate trading, to be registered as member company.

3.8. A legal entity requested special licence for dealing activities may submit following documents in addition to those specified in 3.1 of this regulation:

- 3.8.1. original copy of following regulation, or notarised copy:
 - 3.8.1.1. dealing activities procedures;
 - 3.8.1.2. internal supervisory activities procedures.
- 3.8.2. Conclusion made by Securities trading organization on satisfaction of requirements of such dealing company to participate trading, to be registered as member company.

3.9. A legal entity requested special licence for underwriting activities may submit following documents in addition to those specified in 3.1 of this regulation:

- 3.9.1. internal procedures on undertaking underwriting activities. In such procedures, it shall be included to work with securities issuer on following cases in accordance with article 41.4 of Securities Market Law:
 - 3.9.1.1. to sell in secondary market or buy all the securities issued by securities issuer in the primary market in order to preserve them in its securities portfolio ;
 - 3.9.1.2. to purchase some of securities issued by securities issuer in the primary market;
 - 3.9.1.3. to arrange to trade securities in the primary market due to its best effort to not buy issued securities;
 - 3.9.1.4. to provide guarantee to purchase securities at certain price in case of issued securities are no longer traded in the primary market.
- 3.9.2. notarised copy of agreement concluded with entities specialized to communicate with underwriting company, appraiser, project, researcher, investor, and securities issuer ;

3.10. A legal entity requests special licence for investment advisory activities may submit following documents in addition to those specified in 3.1 of this regulation:

- 3.10.1. notarised copy of agreement established between investment advisory company and securities investment advisory specialist ;
- 3.10.2. code of conducts to be obeyed by securities investment advisory specialist;
- 3.10.3. copy of professional certificate of investment advisory specialist to provide services in the securities market, introduction of professional experience, evidencing documents ;

3.10.4. notarised copy of card, certificate and diploma on the subject of such specialist has attended trainings, schools relevant to securities investment advisory;

3.10.5. notarised copy of diploma of legal specialists, lawyers of investment advisory company.

3.11. Foreign invested company shall submit documents specified in relevant articles of this regulation in mongolian language in order to request special licence.

3.12. If legal entity requested special licence has made changes to the submitted documents, it shall notify about it to the Commission within 10 working days.

Four.Reviewing application and documents submitted to request special licence to undertake regulated activities in the securities market

4.1. Commission may review and make decision on submitted documents for special licence within 30 calendar days.

4.2. The period above shall be counted from the day of receipt of accurate, complete documents that are prepared in compliance with relevant legislation, and requirements in this regulation.

4.3. According to Securities Market Law, Law in Licensing, Company Law, other relevant legislation and this regulation, a working group of Commission shall review application and relevant documents for special licence based on following conditions:

4.3.1. whether a source of contributed capital of shareholder is comprises of legal income, sources ;

4.3.2. whether met requirements to meet minimum amount of contributed capital defined by the Commission;

4.3.3. conclusion on three years business plan of regulated entity in respect of whether it reflected securities market situation, service specialty, internal and external factors to attract customers, and investors, and whether it was developed as realistic plan as for its operation;

4.3.4. whether the charter of company, operational and internal procedures are in compliance with relevant legislation, and regulations, guidelines issued by the Commission;

4.3.5. whether any conflict of interest may arise, or violations occur with its other activities if legal entity requested special licence undertakes such regulated activities;

4.3.6. whether a shareholder, chairman of board of directors, members, chief executive officer, and specialists are meeting the requirements of fit and proper entity;

4.3.7. as of applicant for special licence of brokerage, dealing activities, whether it has a internal operation procedures and supervisory system ;

4.3.8. whether it has delivered a conclusion on office space, techniques, equipment and software are meeting requirements and conditions of such trading organization .

4.4. Commission has a right to demand clarification, reference from relevant authorities in respect of application, documents for special licence if it deemed as necessary.

4.5. If application and relevant documents for special licence are incomplete, did not meet conditions and requirements of special licence, Commission may notify the Company in writing and require additional documents. бичиг баримтын бүрдэл дутуу,.

4.6. In following cases, documents submitted by applicant for special licence shall be returned to the applicant within 10 days.

4.6.1. Documents submitted are not in compliance with relevant law and requirements in this regulation;

4.6.2. It is proved that documents submitted are counterfeit.

4.7. In case of returning application and documents submitted to request a special licence, Commission may notify the applicant in writing.

4.8. In case of Commission returned documents as specified in 4.6.2 of this regulation, it shall not receive any application for special licence from such legal entity, its shareholder, chairman of board of directors, members, and persons who worked in executive management respectively within 1 year of such return. .

4.9. in case of Commission refused to grant special licence due to certain reasons other than specified in 4.6.2, a legal entity who met all requirements of relevant laws, and legislations, may resubmit application to the Commission. In this case, legal entity shall pay special licence regulatory service fee again.

4.10. A legal entity disagreed with Commission's decision on application may appeal to the Supervisory Board at Commission after such decision has made.

Five.Granting special licence

5.1. Commission may grant special licence without period limit to the applicant if following requirements are met:

5.1.1.it is considered that if legal entity undertakes such regulated activity, it will not violate with its other activities, and any conflict of interest may not arise бусад үйл ажиллагаатай харшлахгүй,;

5.1.2.authorised official is recognised as fit and proper entity. 5.1.3.as of human resources, it met with requirements of Commission.;

5.1.4.it shall have sufficient contributed capital to undertake regulated entity activities in the securities market. "Regulated entity may hold at least seventy percent of its total contributed capital in cash, "A" category shares of "Mongolian Stock Exchange" JSC, and short term bond of government." Securities may not exceed 30 percent of cash.;

5.1.5.office space, techniques, and software are satisfied due conditions and requirement to carry out such activities;

5.1.6.met requirement to meet minimum contributed capital defined by appendix 8 of this regulation ТОГТООСОН;

5.1.7. met other condition and requirements defined by Commission.

5.2. if Commission deemed as applicant for special license did not meet relevant requirements, Commission may refuse to grant special licence.

5.3. Working group appointed by Head of Securities Department may conduct on-site inspection to identify that office space, equipment, and software of applicant is meeting requirements and conditions defined by this regulation.

5.4. Documents submitted for requesting special licence shall be reviewed in accordance with Securities Market Law, Law on Licensing, and this regulation and presented at Commission's meeting based on proposal developed by working group.

5.5. Commission may inform relevant management of regulated entity in writing after its decision to grant licence, to deposit cash as part of contributed capital of regulated entity at the bank account of Commission.Хороо тусгай зөвшөөрөл олгохоор шийдвэрлэсний дараа зохицуулалттай этгээдийн хувь нийлүүлсэнхөрөнгөд оногдох мөнгөн хөрөнгийг Хорооны дансанд байршуулахыг зохицуулалттай этгээдийн.

5.6. Founder, shareholder shall deposit cash which is a part of contributed capital to the account of Commission within 3 working days, for a period of 10 calendar days. Commission shall not pay interest for the deposited cash.

5.7. A cash, the part of contributed capital of regulated entity shall be deposited back at the account of regulated entity based on official request and claim of such organization.

5.8. Commission may grant special licence to the regulated entity and register in intergrated registration based on documents evidencing that service fee for Commission's decision and special licence and cash as part of contributed capital deposited at Commission's account accordingly.

Six. Granting additional licence for undertaking regulated activities concurrently in securities market

6.1. Commission may grant additional special licence for undertaking regulated activities specified in 1.4 of this regulation concurrently in securities market to the regulated entity that satisfied and met following requirements:

6.1.1. must be met requirements in Securities Market Law and relevant legislation;

6.1.2. must be met prudential ratio and fit and proper criterias during last four quarters.

6.2. Additional activities to be undertaken shall be included in the application for special licence for carrying out regulated activities concurrently and shall be delivered to the Commission together with following documents:

6.2.1. decision of shareholders' meeting on undertaking such regulated activities, contributed capital to be required additionally, cost, calculation of financial sources of them, 3 years business and risk plan ;

6.2.2. draft amendment of charter of regulated entity;

6.2.3. activities to be undertaken concurrently, rights and obligations of participating parties, responsibility, operational risk methodology, internal regulation concerned arrangements of compensation of customer losses and damages;

6.2.4. in case of regulated entity requested special licence for brokerage and dealing activities in addition, descriptions stated in 3.7.2, 3.8.2 of this regulation;

6.2.5. in case of undertaking licensed activities concurrently specified in this regulation, required documents for each licence.

6.3. Commission may grant additional special licence for undertaking regulated activities concurrently based on the working group's review of application and documents requested to undertake regulated activities concurrently and it is deemed as granting such additional licence will not affect company's financial position, or cause any damage to the customers, and its staff, equipments and software conditions met requirements to carry out such activities in normal operation respectively.

6.4. After Commission's decision was made, working group shall notify applicant to deposit such cash to increase contributed capital in the bank account of Commission.

6.5. Shareholder may deposit cash which increased contributed capital of regulated entity at Commission's bank account within 3 days since receipt of such official letter for a period of 10 days. Commission shall not pay any interest for deposited cash in its account.

6.6. Commission may make note on appendix of special licence certification of regulated entity based on documents evidencing that additional cash of contributed capital was deposited at Commission's bank account for 10 days and regulatory service fee was paid respectively. Then, Commission may register such entity for intergrated registration.

6.7. Commission may refuse to grant special licence if it deems that applicant did not meet requirements specified in 6.3 of this regulation, and it shall notify applicant in writing.

6.8. As stated in 6.7 of this regulation, applicant may re-submit application provided that it met all requirements in this regulation after Commission refused to grant licence. In this case, applicant shall pay regulatory service fee again in accordance with resolution no 156 of 2007 of the Commission.

Seven. The amount of contributed capital, change in shareholders' structure

7.1. Regulated entity may make amendment to the amount of contributed capital of regulated entity, and shareholders' structure in the following forms::

7.1.1. by cash amount held by shareholders;

7.1.2. by regulated entity making additional investment through cumulative profit from operating activities ;

7.1.3. issuing additional shares;

7.1.4. by other forms permitted by law.

7.2. Any amendment to amount of contributed capital shall be made based on Commission's permission, and request to make amendment shall be submitted to the Commission with following documents:

7.2.1. documents evidencing that the legal justification for making amendment;

7.2.2. if there is an amendment made to the shareholders' structure of regulated entity, necessary information specified in 2.1.12 of this regulation for determining fit and proper entity shall be submitted;

7.2.3. documents evidencing sources of fund of shareholder who bought shares of regulated entity;

7.2.4. other information and definitions specified in Law on Combating Money Laundering and Terrorism Financing;

7.2.5. draft agreement of charter of regulated entity with respect to amendment to amount of contributed capital and shareholders' structure;

7.2.6. receipt of payment of regulatory service fee specified in resolution no 156 of 2007 of the Commission .

7.3. A Working Group of Commission shall review application and relevant documents of regulated entity specified in 7.2 of this regulation in accordance with relevant legislation, and shall present its proposal and conclusion on result to the Chairman of Commission. Chairman of Commission may make decision on whether to issue permission on amendment to amount of contributed capital of regulated entity and its shareholders' structure accordingly Хорооны дарга .

7.4. Working group may provide proposal and conclusion for the presentation to the Commission if it considers that reduction of contributed capital will not affect adversely to the financial capability and liquidity of regulated entity and shall not harm to the shareholders and customers. Chairman of Commission may issue decision on whether to permit to reduce the amount of contributed capital. гаргана.

7.5. Decision process on permission of amendment to the contributed capital of regulated entity and shareholders structure shall be completed within 14 days. If it considered that documents specified in 7.2 of this regulation are met in requirements, Commission may notify Chief Executive Officer and shareholders of regulated entity in writing about to deposit cash amount which will increase contributed capital at the bank account of Commission.

7.6. Cash shall be deposited in the bank account of Commission within 3 days after received official letter specified in 7.5 of this regulation for a period of 10 days and Commission is not obliged to pay any interest to the deposited cash. 10 хоногийн хугацаагаар байршуулах .

7.7. Commission may make note on appendix of special licence certificate based upon evidences of receipt of payment of regulatory services fee and cash specified in 7.6 of this regulation are deposited in the account of Commission. Subsequently, Commission may register such regulated entity in the intergrated registration.

7.8. If regulated entity operates as a joint stock company, this article shall not apply. хамаарахгүй.

Eight.Changing the name of the regulated entity

8.1.In case of regulated entity changing its name, it shall submit the request with following documents to the Commission:

- 8.1.1.shareholders' meeting decision on change of name of the regulated entity;
- 8.1.2. certificated copy of newly issued name by the state registration office;
- 8.1.3.draft amendment of charter;
- 8.1.4. receipt of payment of regulatory services fee specified in resolution no 156 of 2007 of the Commission;
- 8.1.5. reasons and grounds for changing the name of regulated entity.

8.2. Commission may review the documents upon its completion as specified in 8.1 of this regulation within 10 working days.

8.3. If Commission deems that changing the name of regulated entity will not affect adversely to the customers' interest of such regulated entity, Chairman of Commission may issue due decision on permitting change of the name.

8.4. In accordance with the decision stated in 8.3 of this regulation, Commission may confiscate special licence, and issues new one and shall register in intergrated registration in compliance of relevant legislation. **Nine.Appointing and changing the Chief Executive Officer of Regulated Entity**

9.1. Chairman of Commission may issue decision on appointment of chief executive of regulated entity.

9.2. Person who will be appointed as chief executive officer shall be met with the following requirements:

- 9.2.1. must be obtained high education;
- 9.2.2. managerial experience;
- 9.2.3. must met requirements in 2.1.3, 2.1.5 of this regulation.

9.3. An entity who requested permission from the Commission as specified in 9.1 of this regulation, must submit following documents to the Commission:

- 9.3.1.resume of person to be appointed as chief executive officer /in accordance with appendix 3 of this regulation /;
- 9.3.2. notarised copy of high education diploma ;
- 9.3.3. reference from previous employer;
- 9.3.4. copy of license to undertake activities in securities market;
- 9.3.5. original copy of decision made by authorised official to appoint chief executive officer, or notarised copy;
- 9.3.6. description stated in 2.1.7 of this regulation.

9.4. If Commission deemed a person complied with requirements of fit and proper entity specified in article 13 of this regulation, Chairman of Commission shall issue decision to permit such appointment of chief executive officer.

9.5. Based on article 9.4 of this regulation, Working group shall make note on the appendix of special licence, and register in integrated registration .

9.6. When Commission refused to issue permission based on the ground that proposed person for chief executive officer did not meet the requirements specified in article 9.2 of this regulation, such regulated entity shall propose another person for permission of appointment of chief executive officer within 1 month.

Ten. Granting Permission on establishing a branch for regulated entity, and cancellation of such permission салбар нээн ажиллуулахыг

10.1. Regulated entity shall submit application for opening branch to the Commission..

10.2. Branch office of regulated entity shall use the name only of such regulated entity, and board of directors /if there is none, shareholders' meeting / shall define functions, scope of activity, and operating procedures of the branch office.

10.3. Regulated entity is prohibited to undertake such activity specified in 10.1 of this regulation without permission.

10.4. When an entity that undertakes regulated activities in foreign securities market establishes its branch, or representative office in Mongolia, it shall request Commission's permission accordingly.

10.5. Regulated entity that is going to open its branch office shall meet the following conditions and requirementsa:

10.5.1. shall be fully complied with requirements specified in Securities Market Law and other legislations Үнэт цаасны зах зээлийн тухай хууль болон бусад холбогдох хууль тогтоомжид заасан шаардлагыг бүрэн хангасан;

10.5.2. shall be met the prudential ratios and requirements approved by the Commission in last two quarters сүүлийн хоёр улиралд Хорооноос баталсан зохистой харьцааны шалгуур үзүүлэлтийг хангаж ажилласан;

10.5.3. shall have branch staff, and specialist who are licensed to engage in activities in securities market, permanent office which has well-defined territorial restrictions, and address,.

10.6. Regulated entity may submit following documents to the Commission when to request a permission for opening a branch office:

10.6.1. application for requesting opening a branch ;

10.6.2. decision made by board of directors /if there is none, shareholders' meeting /;

10.6.3. reference by the branch executive management and specialist, mandate issued by the Commission, notarised copy of ID card and reference specified 2.1.12 of this regulation;

10.6.4. internal supervisory procedures and operating regulation of branch;

10.6.5. introduction about office where business shall be conducted, equipments to be used in the operation, and software;

10.6.6. other documents required by the Commission.

10.7. Working group shall review the documents submitted in accordance with article 6 of this regulation, and if Commission deemed that opening a branch will not adversely affect the financial position of such regulated entity, will not harm customers, and its staff, equipment and software satisfied the conditions with respect to carry out operation of branch in normal functioning, Chairman of Commission may issue such permission.

10.8. Regulated entity shall obtain decision of Company's authorised official when liquidating its branch, restricting operation, reorganization, and change of location respectively and shall notify Commission about it within 3 days after such decision was made.

10.9. Note shall be made on the appendix of special licence certificate for confirmation based on the Decision of Chairman of Commission regarding opening a branch, and receipt of payment of special licence regulatory service fee specified in resolution no 156 of 2007 of Commission .

10.10. Regulated entity shall deliver report on operation of the branch each quarter to the Commission салбарын үйл ажиллагааны тайланг.

10.11. Chairman of Commission may suspend the branch's operation if s/he deemed as the branch of regulated entity went into financial difficulties, carried out activities that are not in compliance with relevant legislations, did not fulfill the instructions and obligations provided by working group of Commission, or financial position of such branch might affect adversely to the regulated entity's activity.

10.12. Special licence of regulated entity shall be suspended on following grounds and a note shall be made accordingly on the special licence certification within 5 working days:

- 10.12.1. regulated entity's decision with respect to liquidation of branch;
- 10.12.2. Opinion of State Inspector of Commission on operation of such branch will hamper normal operation of regulated entity, and its financial solvency;
- 10.12.3. has not undertaken any activities in that territory within a month since it obtained special licence to open a branch from the Commission;
- 10.12.4. branch operation was suspended зогсоосон;
- 10.12.5. other grounds specified in laws and legislation.

10.13. Branch office of regulated entity shall undertake its operation in particular territory permanently and consistently..

10.14. Regulated entity may receive repeated request for opening a branch after violations caused suspension of operation were rectified and met certain conditions and requirements and shall pay the regulatory service fee specified in resolution no 156 of 2007 of Commission. зохицуулалтын үйлчилгээний хөлсийг

10.15. When regulated entity licensed to undertake operation in regional area opens a branch in Ulaanbaatar city, it must meet the requirements specified in article 2 of this regulation.

Eleven. Suspension and Revocation of Special Licence

11.1. Commission may suspend special licence in following grounds in addition to those specified in article 13.1 of Law on Licensing of Entities:

- 11.1.1. did not joined in the membership of trade organization within one year ;
- 11.1.2. any situation arised to harm shareholders and investors' interests;
- 11.1.3. no longer meeting the conditions and requirements of special licence;
- 11.1.4. did not met the requirements of prudential ratios defined by Commission through semi and annual financial reports;
- 11.1.5. did not deliver semi and annual financial reports along with disclosure requirements;
- 11.1.6. not provided information as required by Commission in accordance with information database procedures or provided inaccurate, false, incomplete and misleading information;
- 11.1.7. missed the deadline by one month to pay regulatory service fee specified in resolution no 156 of 2007 by the Commission;

11.1.8. shareholders, chairman of board of directors, members, and authorised officials are no longer meeting fit and proper entity requirements;

11.1.9. reasonable request has made by securities trading organization, securities depository organization and other competent self-regulative organizations regarding violations of laws and legislations;

11.1.10. did not meet the requirements stated in 1.7, 1.8 of this regulation;

11.1.11. did not fulfill instructions given by the Commission in accordance with Securities Market Law;

11.1.12. other grounds stipulated in legislations.

11.2. When those violations that caused suspension of special licence rectified, repeated request may be delivered to the Commission to recover the suspended licence. If Commission deemed as such violations are rectified accordingly, it may recover special licence and if the request has not been delivered to the Commission within the suspension period, working group shall proceed to discuss about Revocation of such special licence at the Commission's meeting.

11.3. Commission may terminate regulated entity's special licence in following cases in addition to those specified in article 14.1 of Law on Licensing:

11.3.1. licensee requested by itself;

11.3.2. announcement was made by the authorised organization, court and shareholders' meeting of regulated entity regarding the regulated entity went under bankruptcy or insolvency and liquidated;

11.3.3. other circumstances arised that will violate to undertake licensed activities;

11.3.4. violations were not rectified within suspension period and did not deliver request to recover special licence to the Commission;

11.3.5. it was identified that set of counterfeit documents were submitted when obtaining special licence to undertake regulated entities.

11.4. in case of special licence is terminated:

11.4.1. special licence shall be confiscated, and stamped as "TERMINATED" and attached to the profile for archiving in accordance with relevant regulations;

11.4.2. repeated request to grant special licence shall not received within one year from the same organization.

Twelve. Consequences of suspension and revocation of the special licence

12.1. Commission shall notify the public within three working days after the decision of suspension, recovery or revocation of special licence was made by the Commission

12.2. In case of revocation of special licence, activities of transferring customers shall be implemented by the regulation on "Temporary regulation of transferring customers of brokerage companies that special licence was revoked" adopted by resolution no 221 of 2008 by the Commission.

12.3. If Commission deemed as necessary it may take measures such as restricting access of entity which its licence revoked to customer's account, execute transactions, freezing of funds, property, and separation within suspended period of license.

12.4. For the purpose of protecting investors' interest, and ensuring market stability, the Commission may take following measures such as restricting legal entity which its special licence was revoked from customer account access and transactions, freezing its funds, and archiving documents related to its operation.

12.5. Revocation of special licence of regulated entity shall not serve as a ground that for the regulated entity to terminate agreements concluded with others, exempting from obligations in front of others, compensate damages caused to others and such regulated entity and its authorised official shall be fully responsible for any damage caused to the customers.

12.6. If regulated entity which its special licence revoked is not undertaking other licensed activities, it has a obligation to discuss and make decision on its bankruptcy issues at Shareholders' meeting within 45 days since the day that its licence was revoked.

12.7. Commission may sue regulated entity to issue decision to liquidate in force if such entity has not made the decision on its liquidation within the period specified in 12.6 of this regulation.

12.8. it shall be prohibited for regulated entity to engage in following activities after its special licence revoked:

12.8.1. establishing a new contract;

12.8.2. making amendment to the contract which was concluded before that date.

12.9. In case of special licence revoked, following measures shall be taken:

12.9.1. In case of special licence was revoked of the company which is licensed to undertake brokerage and dealing activities, following documents shall be archived, filed in units and be handed over to the trading organization :

12.9.1.1. securities selling and purchase order agreements received from the customers during the operating period;

12.9.1.2. registration of orders during the same period;

12.9.1.3. assigned dealer tasks of the same period;

12.9.1.4. customer records of same period;

12.9.1.5. entry of money granted to customers, cash documents, including applications requested money;

12.9.1.6. other key documents related to customer asset transactions;

12.9.1.7. other documents specified in Commission's decision on revocation of special licence.

12.10. documents to be handed over and terms shall be precisely stated in the Commission's decision on revocation of special licence

12.11. If any damage caused to the customers due to failure of handing over of documents specified in 12.9.1 of this regulation and Commission's decision in accordance with relevant procedures, shareholder of company which held special licence, or if the licensee is joint stock company, members of its board of directors, competent persons who worked as chief executive officer shall be responsible for the damage.

Thirteen. Determining appropriate person, fit and proper entity

13.1. Commission shall consider entity as fit and proper entity which met the criterias set forth in the article 68.1 of Securities Market Law:

13.2. Criterias set forth in the article 13.1 of this regulation shall be understood as follows:

13.2.1. shall not have been committed to criminal penalty when was working as authorised official at organization undertakes regulated activities in the financial market;

13.2.2. shall not be an authorised official at similar organization that undertakes regulated activities in the financial market;

13.2.3. shall not be a chairman of Commission and its supervisory board, or member, manager level official or executive official of working group 13.2.4. shall be met the criterias set forth in article 2.1.5.3 of this regulation.

13.3. Commission shall be based on the necessary evidencing documents when determining appropriate person, fit and proper entity's requirements. Commission may request reference, information

from Government Agency of Mongolian Government or foreign, professional organization, other regulatory authorities, and law enforcement agencies.

13.4. Applicant who requested special licence to undertake regulated activities, or requested to be appointed as authorised official shall submit documents evidencing himself as fit and proper entity to the Commission.

13.5. Securities issuer and authorised official of regulated entity shall comply with the criterias set forth for fit and proper entity permanently. State inspector shall conduct on-site or off-site inspection to ensure the compliance with requirements of fit and proper entity in regular basis.

13.6. Commission may maintain detailed record keeping of the entity who became no longer meeting the requirements of fit and proper entity after it granted special permission

13.7. In case of change of senior official, a temporary substitute person shall meet the criterias for a fit and proper entity.

Fourteen .Responsibility

14.1. If an entity continued to undertake activites after the decision has made by the Commission to suspend or revoke its special licence, this case shall be deemed as undertaking regulated activities in the securities market without special licence, and shall be ground to impose sanction under the Law on Licensing.

14.2. Commission shall conduct monitoring on implementation of this regulation, and may impose penalties as specified in the article 18.1 of Law on Licensing, and article 89.1 of Securities Market Law respectively to the entity that violated relevant legislations .

14.3. Legal entity who disagreed with the Commission's decision may appeal to the Supervisory Board of Commission in accordance with article 28 of Law on Legal Status of Financial Regulatory Commission after the Commission's decision has made..

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*“Regulation on Special Licensing of undertaking regulated activites in the Securities Market
” Appendix 1*

APPLICATION FOR SPECIAL LICENCE TO UNDERTAKE REGULATED ACTIVITIES IN THE SECURITIES MARKET

Date :

To: Financial Regulatory Commission,
Government Building IY
Baga Toiruu -6
Ulaanbaatar-210646
Mongolia.

From:

.....
.....
(name of the applicant, address, phone, fax, e-mail address)

.....
/name of the regulated entity/ /JSC, LLC/

Shareholders of regulated entity held meeting for the purpose of establishing new professional organization and resolved to undertake following regulated activities in the Securities Market :

1/

2/

/type of regulated activities/

In order to undertake regulated activities in the Securities Market, following legal entities and their shareholders decided to invest in such regulated entity.

№	Full name <i>/name of the legal entity/</i>	Registration number	<i>/State registration number of legal entity/</i>	Address	amount of contributed capital <i>(in thousand tugriks)</i>

Shareholders of regulated entity contributed by the funds in their legal ownership.

Following persons shall be worked in the executive management of regulated entity/ chief executive officer, unit manager, general accountant, internal supervisory staff/

№	Full name	Current position	Registration number	Job title at regulated entity

Application and documents submitted for special licence for undertaking regulated activities in the securities market are prepared accurately in accordance with Law on Licensing, Securities Market Law, and “Regulation on special licensing to undertake regulated activities in the securities market” adopted by the resolution no 28 of Commission dated as of August 4, 2006. We will be fully responsible for any false, misleading information in the submitted documents hereby.

Please grant the special licence to undertake regulated activities in the securities market based upon the review of application and relevant documents accordingly.

We will fully apply to our operation a “Law on Licensing of Entity”, “Securities Market Law” and other relevant legislations and shall fulfill all requirements and instructions provided by the Commission in our operation.

APPLICANT:

/. / /. /
/signature/ /full name /

if legal entity:

/seal/

.
/name of the legal entity/ /position /

/. / /. /
/signature/ /full name/

DESCRIPTION OF SHAREHOLDERS, CHAIRMAN OF BOD, AND MEMBERS OF REGULATED ENTITY

A. Please note that how you relate to the regulated entity

- 1. Shareholder
- 2. holder of 5 or more than 5 percent of total shares
- 3. Board of Directors'
 - Chairman
 - member

B. Details of shareholder.

1. Shareholder is a:

- legal entity Citizen

2. Amount of contributed capital of regulated entity:

- Common shares
- Preferred shares

..... / / tugriks
/in numbers/ /in letters/

3. if shareholder is a legal entity, following information shall be delivered in a true and accurate basis :

- Full name:
- Founded year, month, date:
- Period of operation:
- Address:
- State Registration number:
- Registration number:
- Full name, registration number of chairman and members of BOD Full name, registration number of shareholders
- Type of activities engaged in :
- Introduction related to legal entity's activities.

/including date of activities engaged through the years, whether it has a subsidiary of parent company, their operation, financial position, location, ownership, capital contributed to other organizations /.

- Description of capital composed total contributed capital.
is shares of *regulated entity*
name of the legal entity
 As owner of Invested fund to the contributed capital of regulated entity amounted */in letters/tugriks* comprised from income of legal activities and hereby certify that we submitted documents preparing accurately in accordance with relevant legislation, and we shall be fully responsible for any risks associated with it according to laws, and legislation.

4. if the shareholder is a citizen, following information shall be filled out accurately 3:

- Last and first name:
- Birth date :
- Nationality:
- Home address:
- Registration number:
- job title:
 - Period:
 - Address:
- Education */Including the general education school/*

Зураг

No	University	Major	Enrolled year	Graduated year	number of certificaion, diploma

- Work experience:

No	Employer	Job title	started date, month, year,	date of leaving , month, year	reason for leaving

5. Shareholders' affialied entity:

No	relationship	full name	registration number	Job title

I,first name.....last name amount of fund that I contributed as shareholder of the company, */in letters/* consists of income from my legal activities and I hereby certify that submitted documents are prepared accurately in accordance with legislations, and will be fully responsible for any risks associated with it under the laws and legislations.

In brief introduction of affiliated entity, followings shall be included such as previous employment, whether it represents any legal entity, its operation, location, whether it has outstanding debts and liabilities to others, and whether it is under investigation by law enforcement agencies.

..... representing legal entity :
/Job position/

/..... / */..... /*
/signature/ */full name /*

*“Regulation on Special Licensing of undertaking regulated activities in the Securities Market
" Appendix 3*

1. **DESCRIPTION OF CHIEF EXECUTIVE OFFICER, UNIT MANAGER AND OTHER STAFF OF REGULATED ENTITY** Chief executive officer, unit manager, and other staff shall fill out following information accurately

2. :

- Full name:
- Job title:
- Birth date:
- Nationality:
- Home address:
- Phone number:
- Registraton number:
- Current job:
 - Period:
 - Address:
- Education */Including the general education/*

Зыраэ

No	School	Major	From /year/	To/year/	number of diploma, certification

- Work experience:

No	Employer	Job title	From /month, date, year/	To /month, date, year/	Reason for leaving

- Brief introduction of executive management, staff (if it represents any legal entity, location, history of relationship with regulated entity in the securities market, client banks, if it's a shareholder of any other legal entity, if it has outstanding debts to others, if its under investigation by law enforcement agency

•):

3. affiliated entity of executive management and staff
affiliated entity shall be understood as specified in the article 97 of Company Law.

No	Relationship	Full name	Registration number	Current job position

--	--	--	--	--

In brief introduction of affiliated entity, followings shall be included such as previous employment, whether it represents any legal entity, its operation, location, whether it has outstanding debts and liabilities to others, and whether it is under investigation by law enforcement agencies.

References, descriptions regarding executive management, and staff issued by law enforcement agency, other relevant legal entity of tax, bank and organizations and citizens are attached hereto.

..... Representing the regulated entity :
/job title/
/..... / /..... /
/signature/ /full name/

*"Regulation on Special Licensing of undertaking regulated activites in the Securities Market
" Appendix 4*

DESCRIPTION OF SOFTWARE, EQUIPMENT AND OFFICE

Equipment which will be used for the regulated entity's operation are determined as follows:

No	Type of equipments	Technical specification	whether it rented or purchased	Quantity

Regulated entity shall use securities trading, clearing, depository and other Softwares in addition to those specified above (software, name of the organization invented)and software to be used in exchange of data, information with credit database .(name of the program, and the organization)software. (under selling and purchase agreement) and for daily information database works (name of the program, and the organization) software shall be used.

Office of regulated entity is:

purchased
 rented

and the office met the conditions and requirements for safety to carry out regulated entity's activities

We suppose that upon consideration of compliance of requirements of office, and security, hereby attached the following documents.

- certification of real state registration
- leasing agreement for the office building
- explanations on how resolved security issues

..... Representing regulated entity
 /Job title/
 /...../
 /signature/ /full name/

"Regulation on Special Licensing of undertaking regulated activities in the Securities Market"
 Appendix 5

GUIDANCE ON DEVELOPING BUSINESS PLAN OF REGULATED ENTITY

1. Business plan is a document developed for the purpose of determining aims and tasks of regulated entity, and planning measures to be taken for particular period to improve annually the

structure, organisation, fast and reliable service, skills of management level officials, financial and insolvency criterias, and efficiency of regulated entity in the securities market.

2. Regulated entity shall develop business plan in coherent with its activities and shall reflect following activities in it:

2.1. purpose of undertaking regulated activities in the securities market , policy and future projection of professional organisation;

2.2. possibilities in macro and micro level to work profitable in the securities market;

2.3. 3-5 years projection of financial and cash balances, revenue and expense of regulated entity;

2.4. asset structure, plan for improving the asset management, general terms of interest and fees, and policy to be implemented regarding these matters;

2.5. identifying operational risks and measures to be taken to manage such risks.

4. Business plan shall be developed to be implemented for 3-5 years since such entity started to undertake professional activities in the securities market

5. .

6. Business plan shall consists of following parts:

Cover page

Followings shall be included in the cover page of business plan:

- Name and address of professional organization
- Name of business plan
- Version no
- Date
- Name , address of author
- Note of author
- Name and address of regulated entity

1. PERFORMANCE SUMMARY

In this chapter, brief information of professional organization that is going to implement such business plan, mission of business plan, its purpose, objectives, key of success, potential risks and other financial criterias shall be included respectively.

In mission part, it shall be precisely specified that what services will be conducted, what consequences and results that is going to be achieved.

Objectives are the tasks that will be implemented and accomplished within the particular period during the timelines in order to achieve the mission of the plan.

2. INTRODUCTION OF BUSINESS

Introduction of business is a summary of descriptions covered name, address of professional organization, timeline of accomplishments, accountability system, market status, business operation, services, provision of management and staff, financial capacity and position, reason and grounds for developing business plan, objectives, financial resources necessary to implement the plan, period of repayment of loan, benefits, sales income, and profits respectively.

Introduction of business shall involve following parts with it:

- Business and its history Market situation
- Current operation
- Management and staff
- Financial position
- Reasons and purpose of writing business plan

3. MARKETING PLAN

Following three parts are involved in the “Marketing Plan” of business plan.

3.1. Market analysis

In order to develop marketing plan, first, it is necessary to conduct research on market, its consumers, competitors, partners, and intermediaries.

3.2. Marketing strategy

Marketing strategy is market specialized plan or tools and measures taken by your organization to achieve goals .

3.3. Marketing set

If your organization is defined the tools and strategy to access to your market, now should build your marketing set which will be used to create potential status in the market. Marketing set shall consists of product and service, price, promotion, and place. .

4. MANAGEMENT PLAN

In this part of business plan, management, organization, and staff related issues shall be covered.

Management team:In this part of business plan, it shall be precisely specified that how members of management team are educated in bank, finance and management field, capacity of substitution, professional experience and qualification etc.CV and brief introduction of management team staff, specialist (legal advisor etc), senior officials’ (for ex, managers of branch) experience, their industry experience, and obligations respectively shall be attached to the management plan. In addition, rights and obligations of management team shall be clearly described for each of them specifying who is the one authorised to make decision and who will obey the deision etc, in the charter of the organization accordingly, and approved charter shall be attached to the management plan.

Organizational structure:It is important to build the structure which is the most efficient and which has much few steps of organizational procedures under the management team. Main principle to be observed when to build an efficient structure of organization of small team is to have one management, effective allocation of works, sufficient provision of information to the management, staff are interested in the result of their work performance, and transparent monitoring. This principles shall be observed and included in the business plan.

Staff:in this part, necessary staff, their quantites, and trainings for capacity building are shall be reflated respectively.

Please note that training expenses usually looks unprofitable from the outside look but it gives potential benefits definitely.

5. FINANCIAL PLAN

Following parts shall be included in the financial plan:

- Total revenue estimation;
- Operational cost estimation;
- Profit/loss estimation;
- Estimation of operation without loss;
- cash flows estimation .

6. RISK ANALYSIS

6.1.Type of risks:

There are four types of risks shall be calculated to undertake professional activities in the securities market:

- Technology and equipment
- Financial or credit
- Human factors
- Legal

6.2.Options for risk mitigation

Which risk is likely to potentially occur for your business? Please write your plan to mitigate such risks. Risks that is possible to be insured are classified and which insurance company shall be chosen to be contracted with. It is necessary to identify measure steps to mitigate other risks that are not included in the insurance.

Comparative analysis shall be conducted on the profitability of professional organization due to the result of measures to prevent risks, with estimated results.



FINANCIAL REGULATORY COMMISSION OF MONGOLIA

SPECIAL LICENCE CERTIFICATION

No. . .

. . . month . . . date . . . year

Financial Regulatory Commission hereby grants special licence by the Resolution No ____ dated ____ month _ day ____year____ of the Financial Regulation Commission based on the compliance of requirements specified in Law on Legal Status of Financial Regulatory Commission, Law on Entity's Licensing, and other legislations to the _____ to undertake _____.

CHAIRMAN

"Seal"

This licence shall be only effective along with appendixes.

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FINANCIAL REGULATORY COMMISSION OF MONGOLIA

NO _____

APPENDIX TO SPECIAL LICENCE CERTIFICATION

"Seal"

Notes for regulated entities in the securities market

(this appendix shall be effective along with special licence certification).

ONE.Name of the legal entity: _____

TWO.Address of legal entity, note of change of address:

No	Address	telephone, fax, e-mail address	date of note

THREE.Special licence note:

No	Type of operation	date of granting licence	Resolution No of granting licence	Resolution No of suspension, recovery and revocation of licence

FOUR.Note by branch of regulated entity:

No	Address of the branch	Change of address	Date of issuance of permission	Resolution no on issuing permission	Resolution no of suspension, recovery and revocation of permission

FIVE.Note of change to the contributed capital :

No	Amount of increase or reduction of contributed capital	Date of permission	Resolution no of Permission	Amount of contributed capital

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SIX.Shareholders:

No	Full name /name of the legal entity/	Registration number	Amount of shares held	Percent	Date of permission	Resolution no of permission



FINANCIAL REGULATORY COMMISSION OF MONGOLIA

CERTIFICATION OF BRANCH OF REGULATED ENTITY

No . . .

. . . month . . . date . . . year

Financial Regulatory Commission hereby issues certification on permission to open a (name of the branch of regulated entity) in the _____ district, __ city as of branch office of the _____ LLC with registration number _____, state registration certification number _____ in _____ city by the Resolution No ____ dated ____ month _ day ____year____of the Financial Regulation Commission based on the compliance of requirements specified in Law on Legal Status of Financial Regulatory Commission, Law on Entity’s Licensing, and other legislations.

CHAIRMAN

"Seal"

MINIMUM CAPITAL CRITERIA OF CONTRIBUTED CAPITAL FOR REGULATED ENTITIES

Minimum criteria of contributed capital of regulated entities as follows:

- 1) Investment advisory services– 100,0mln tugriks .;
- 2) Brokerage activities– 200,0mln tugriks .;
- 3) Dealing activities – 300,0 mln tugriks.;
- 4) Underwriting activities – 1.000,0 mln tugriks.;
- 5) Securities trading activities – 2.000,0 mln tugriks.;
- 6) Depository activities – 2.000,0 mln tugriks.;

5) In case of regulated entity undertakes above licensed activities concurrently, financial requirements shall be calculated as increased for each of those activities.

6) These minimum criterias of contributed capital shall be effective from the date of July 1st of 2014.

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