

*Attachment 1 of MSE Board  
Resolution of January 16, 2012*

**Mongolian Stock Exchange**

**MEMBERSHIP RULES**

**Participation of trading members in markets**

## **Application of the Rules**

The Rules and the Guidance operate as a binding agreement between the Mongolian Stock Exchange and each Trading Member and between a Trading Member and any other Member.

A Trading Member is deemed to be bound by the Rules and any Directives upon approval of the members registration by the Mongolian Stock Exchange.

A trading member registered at the Mongolian Stock Exchange must comply with the Rules:

- (1) in accordance with the spirit, intention and purpose; and
- (2) by looking beyond form to substance.

The Mongolian Stock Exchange may from time to time and at its discretion issue supplements of the following Rules in the form of:

- (1) Notices
- (2) Waivers of Rules
- (3) Transitional Arrangements in relation to any amendments or new Rules

## **RULES**

### **PARTICIPATION OF INTERMEDIARIES IN MARKETS**

#### **TITLE 1 ADMISSION TO TRADING**

##### **Article 1.1**

###### ***(Trading member admitted to trading)***

1. The following may participate in trading in the markets organised and managed by the Mongolian Stock Exchange (MSE):
  - a) trading members authorised under Financial Regulatory Commission (FRC) regulations to provide the services and engage in the activity of dealing for their own account and/or executing orders on behalf of clients
  - b) and also fulfil specific Membership requirements established by the MSE in the Guidance.
2. The participation of non-Mongolian entities is subject to the conclusion of a Memorandum of Understanding between the FRC and the corresponding competent authority in the home country. The admission of a member under the MOU will be subject to registration by the FRC and the approval of the MSE Board of Directors.

##### **Article 1.2**

###### ***(Procedure for admission to trading)***

1. For the purposes of admission to trading in the markets, applicants shall submit to the MSE a completed application form along with all relevant documentation listed in the application form.
2. As of the date of receipt of the completed Application form the applicant will be required to comply with these Rules and the accompanying Guidance as applicable.
3. Within one month of the day the completed Application form is received the MSE shall decide on the request. The MSE may extend the time limit not more than once and for up to a maximum of one month where it is necessary to obtain additional information and shall inform the applicant accordingly.

##### **Article 1.3**

###### ***(Admission criteria)***

1. The admission of an applicant to trading shall be subject to verification by the MSE in accordance with objective non-discriminatory criteria in evaluating fulfilment of the following requirements on a continuing basis:
  - sufficient staff with adequate professional qualifications and experience in relation to the types of activity carried out;
  - adequate internal procedures and controls for trading activity, as specified in the Guidance;
  - identification of a Compliance Officer to the MSE. The Compliance Officer must have a working knowledge of these Rules and provide adequate support to the applicant's organisation. The Compliance Officer shall be entrusted with relations with the MSE. The Compliance Officer shall have a deputy with similar qualifications.
2. The applicant must ensure the adequacy of the technology used for trading and associated activities. It must also ensure compatibility with MSE's technology infrastructure and must not connect any software to MSE's trading or associated

activities unless such software is approved by the MSE and is acquired from a vendor approved by the MSE.

3. The applicant must submit documentation from a Clearing Bank confirming acceptance of its role as the applicant's Clearing Bank. This confirmation must be submitted to the MSE as part of the application documentation

## **TITLE 2**

### **CONTINUED ELIGIBILITY**

#### **Article 2.1**

*(Continued satisfaction of the admission criteria)*

1. Members of the MSE shall ensure continued satisfaction of the admission criteria and other requirements referred to in these Rules.
2. Members of the MSE shall notify, in the manner and within the time limits specified in the Guidance, every variation with respect to the conditions referred to in the information provided at the time of submission of the application.
3. Revocation, suspension or expiry of the authorisation to trade by the FRC shall result in suspension or exclusion from trading. This shall be without prejudice to any measures adopted by the competent authority to protect customers' interests. In the event of a compulsory administrative liquidation or bankruptcy the MSE may suspend or exclude the member from trading.
4. The cessation of participation in the clearing and settlement system must be immediately notified in writing to the MSE and shall result in such member being promptly suspended from trading in the markets. Six (6) months following the suspension the MSE may terminate the membership.
5. Trading members shall meet the Business continuity requirements specified in the Guidance.

#### **Article 2.2**

*(Market insolvencies)*

1. Where the Clearing Bank responsible for cash settlement informs the MSE of the failure of the trading member to provide the funds needed to settle its contracts, the MSE shall order the trading member to deposit the required funds immediately. The MSE shall temporarily suspend the trading member.
2. The MSE shall notify the CSD of the suspension and issue notice to recover the required funds against the member's collateral.
3. Where the trading member fails to provide the funds needed to settle the debit balances on the following business day, the MSE shall promptly inform the FRC and the Clearing Bank to take appropriate action.

#### **Article 2.3**

*(Exclusion from trading upon request)*

Members admitted to trading may request exclusion from trading.

1. If a trading member intends to resign it needs to follow the procedure specified in the guidance.
2. **Obligations of a former member**

- i) A former trading member remains liable to the MSE and its customers. in respect of any offence committed during its membership
- ii) It is also subject to disciplinary action for any offence committed during its membership.
- iii) The former trading member shall be bound by these rules for all activities taking place prior to termination until:
  - a) the date on which all trades are settled and completed and
  - b) the date on which all outstanding subscriptions, charges or other sums have been paid in full and
  - c) all investigations, if any, have been completed.

**TITLE 3**  
**RULES OF CONDUCT AND RELATIONSHIP BETWEEN TRADING MEMBERS AND THE MSE**

**Article 3.1**  
*(Rules of conduct)*

1. Trading members shall observe applicable law, these Rules, the Guidance, the Notices and any other technical and operational documents accompanying the Rules and the Guidance. Trading members shall conduct themselves based on principles of correctness, diligence and professionalism in their relations with market counterparties and clients as well as in their obligations towards the MSE and in the use of the trading system.
2. Trading members shall promptly notify the MSE of any circumstances of which they are aware, including technical problems with their systems, which prejudice or might prejudice their compliance with the Rules.
3. Trading members shall be liable vis-à-vis the MSE for the conduct of their employees and collaborators. Conduct by employees and collaborators that violate the Rules shall be considered as the conduct of the trading member.
4. Trading members shall refrain from acts that may prejudice the integrity of the markets. Among others they may not:
  - a) commit acts that are likely to give a false or misleading impression to other market participants;
  - b) carry out sham transactions, whose objective is not to transfer ownership of the financial instruments traded or to modify their exposure to the market;
  - c) trade financial instruments that the MSE has suspended from trading for a defined period. In such cases the MSE may authorise the trading of the suspended financial instruments on the basis of the objective criteria established in the Guidance.
5. Trading members must put effective forms of control in place to monitor their contractual positions and avoid situations likely to hinder orderly trading and the regular settlement of contracts in the clearing and settlement service.

**Article 3.2**  
*(Transmission of orders to the market)*

1. Trading members shall be liable for all interactions with the trading system of the MSE. Trading members must equip themselves on a continuous basis with systems, procedures and controls to prevent the entry of orders that are irregular in terms of price or quantity.
2. Trading members can request use of more than one access code to segregate specific trading activities. For this purpose trading members must contact in advance the MSE

### **Article 3.3**

#### ***(Technical difficulties of Trading member's systems)***

1. Trading members shall promptly inform the MSE of technical difficulties they encounter in accessing the MSE trading system.
2. In the cases referred to in paragraph 1 trading members shall follow instructions received from the MSE and may request the deletion of orders sent to the market.

### **Article 3.4**

#### ***(General conditions for the supply of services)***

1. The relationship between the MSE and trading members concerning participation in trading on the markets is governed by the general conditions for the supply of services.
2. The MSE shall announce changes to the general conditions for the supply of services by publishing such changes in the manner specified in the Guidance.
3. Trading members are required to pay fees for the services provided in accordance with the amounts and time limits established by the MSE and indicated in the Price List attached to the general conditions for the supply of services.

## **TITLE 4**

### **SURVEILLANCE AND INTERVENTION**

#### **Article 4.1**

##### ***(Verification activity)***

1. For the purpose of complying with any applicable laws, rules, requirements, regulations or orders or verifying compliance with these Rules and the accompanying Guidance and in order to ensure the performance of its functions the MSE:
  - a) requires Trading Members to maintain adequate books and records to demonstrate their compliance with these rules. Such books and records must be maintained for a minimum of ten years;
  - b) may request Trading Members to provide all the necessary information and documents concerning transactions carried out on the markets;
  - c) may require the trading member to clarify specific conduct or situations;
  - d) will exclusively for the purpose of verifying compliance carry out examinations on the premises of trading members.
2. Where demonstrable evidence is available of presumed violations of these Rules or the accompanying Guidance, the MSE, shall initiate disciplinary procedures.
3. In the event of minor infringements of these Rules or the accompanying Guidance, the MSE may request the trading member to comply adequately with the provisions in question.

#### **Article 4.2**

##### ***(Reports to the supervisory authority and other co-operation)***

1. If in the course of market surveillance the MSE acquires evidence suggesting acts of insider trading or market manipulation it shall immediately report such evidence to the FRC.
2. The MSE may co-operate in the sharing of information with other regulated markets and with the clearing and settlement systems to the extent permitted by law.

#### **Article 4.3**

##### ***(Measures to protect the market)***

1. If in the performance of its surveillance activity the MSE finds situations or conduct likely to entail risks to the integrity of the markets, it may apply one or more of the following measures until the potential risk cease to exist:
  - a) imposition of limits on operations;
  - b) imposition of specific requirements relating to:
    - the number and professional qualifications of trading staff;
    - trading system, procedures and controls;
    - and any other conditions relevant to ensuring continued satisfaction of admission requirements;
  - c) restrict access to markets;
  - d) suspension from trading in one or more markets operated by the MSE.
2. Where a trading member is suspended the MSE shall permit such member, to close out any open positions and carry out any related transactions that are necessary to protect customers' interests.
3. The MSE may modify or revoke the measures referred to in this article at any time.
4. The MSE shall promptly inform the FRC and the trading member concerned of the adoption of measures referred to in paragraphs 1 and 3.

#### **Article 4.3.1**

##### ***(MSE enforced cancellation of erroneous trades)***

The MSE views all trades undertaken under its rules as firm. However, the MSE may in exceptional circumstances undertake an MSE enforced cancellation of an automated trade.

MSE enforced cancellations of trades will include but not be limited to:

- i) where there has been a clear miscommunication of a corporate event or
- ii) where a stock closing price has been significantly distorted by the entry of erroneous orders

The MSE may take into consideration other factors including but not limited to:

- a) The potential market disorder that would be caused if the trades were upheld or
- b) The potential adverse impact if the trades were cancelled

#### **Article 4.4**

##### ***(Disciplinary Measures)***

1. Without prejudice to Article 4.3, where there is a violation of these Rules or the accompanying Guidance, including the case of trading members hindering the verification activity referred to in Article 4.1, the MSE may apply one or more of the following disciplinary measures taking into account the seriousness of the violation and any other violations committed.

- a) a written censure. If the trading member has committed another violation of the same nature for which the MSE has already imposed a written censure, the measure referred to in subparagraph b) shall be applied;
- b) a fine of up to 5mn MNT per incident. In deciding on the amount of the fine the MSE shall take into account the gravity of the violation;
- c) suspension from trading in one or more markets for a period of up to 3 months;
- d) exclusion from trading in one or more markets.

2. The measures provided for in the preceding paragraph shall be made public pursuant to Article 4.7, except in the cases of:

- a) a written censure;
  - b) a fine of not more than 100.000 MNT.
3. The measures provided shall always be made public pursuant to Article 4.7. If, in the 30 months preceding the violation in question, the MSE has applied three non-public measures.. Where a trading member is suspended or excluded from trading, that trading member shall only be permitted to close out any open positions and carry out any related transactions that are necessary to protect customers' interests.

#### **Article 4.5**

##### ***(Procedure for verifying violations)***

1. In order to apply the measures referred to in Article 4.4, the procedure described in this article shall be initiated within one year of the presumed violation or of the later date on which the MSE learned of the presumed violation. In the latter case the procedure described in this article may not be initiated after three years have elapsed from the date of the presumed violation.
2. The MSE shall initiate the procedure by sending the trading member concerned a notification:
  - a) containing a description of the alleged violation;
  - b) setting a time limit of not less than 15 days within which a written explanation may be submitted and possibly a request for a hearing in which to examine the question jointly.
3. The notification referred to in paragraph 2 may indicate the measure the MSE intends to apply. In such case, if the time limit referred to in paragraph 2(b) expires without the trading member having submitted a written explanation or requested a hearing, the MSE shall apply the measure indicated in the notification.
4. If the trading member requests a hearing in which to examine the question jointly or if the MSE considers such a hearing to be necessary, the MSE shall establish the date for the hearing and inform the trading member accordingly. The trading member shall be represented in the meeting either by its legal representative or by a person appointed for the purpose, being allowed to be assisted by a lawyer of his choice. If the trading member fails to attend the hearing without due cause, the MSE shall proceed on the basis of the evidence available up to that time. At the end of the hearing, at the request of the interested party, the MSE may set a new time limit of not less than 10 days for the submission of another written explanation.
5. On the basis of the evidence collected as part of the procedure referred to in the preceding paragraphs, the MSE shall take a decision within 45 days of the hearing or the subsequent expiry of the time limit for the submission of another written explanation. If no such hearing is requested or scheduled by the MSE, a decision will be taken within 45 days of the expiry of the time limit set pursuant to paragraph 2(b).
6. Decisions adopted pursuant to the preceding paragraph shall be promptly notified to the interested party giving the reasons for the decision. If one of the measures referred to in Article 4.4 is applied, the costs of the procedure and in particular those in relation to the examination of the written explanations submitted and the hearings requested, shall be charged to the trading member.
7. The MSE shall promptly inform the FRC of the initiation of the procedure referred to in this article and of the related decisions.

#### **Article 4.6**

##### ***(Challenging of measures)***



Measures referred to in Articles 4.3 and 4.4 may be challenged within 15 days of the notification referred to respectively in Article 4.3, paragraph 4, and Article 4.5, paragraph 6 before the Appeals Board established pursuant to Article 4.8.

**Article 4.7**

***(Public disclosure)***

1. Application of the measures referred to in Article 4.4 shall be made public. If the decision is not referred to the Appeals Board within 15 days of notification the decision shall be made public. If it has been referred to the Appeals Board the decision will be made public, after 10 days have elapsed from the notification of the Appeals Board's decision to the parties.
2. At the request of the trading member, the complete text of the decision of the Appeals Board will be made public.

**Article 4.8**

***(Appeals Board)***

1. The Appeals Board shall be composed of three Members appointed by the Board of Directors of the MSE, which shall also appoint one of the Members to be the chairman. The seat of the Appeals Board shall be at the MSE.
2. The Members of the Appeals Board shall be chosen from among persons of proven expertise in matters concerning financial markets unaffiliated with the MSE or any Trading Member of the MSE.
3. The appointment shall be for three years and may be renewed once. Where a member vacates the position before the termination of the appointment, the Board of Directors of the MSE shall appoint a substitute; such appointment shall last until the termination of the appointments of the other Members of the Appeals Board.
4. The decisions of the Appeals Board shall be adopted in accordance with law allowing debate within 30 days of the date of the challenge referred to in Article 4.6 and shall be promptly notified to the parties. The language of the proceedings shall be the Mongolian language.

## **GUIDANCE**

### **PARTICIPATION OF TRADING MEMBERS IN THE MARKETS**

#### **Article G.1**

##### ***(Trading members admitted to trading)***

1. The following may participate in trading in markets organised and managed by the Mongolian Stock Exchange (MSE):

- a) firms set up in the legal form of a Joint Stock Company or Limited Liability Company authorised by the FRC to provide the services and engage in the activity of dealing for their own account and/or executing orders on behalf of clients;
- b) banks and investment firms authorised by the FRC to provide the services and engage in the activity of dealing for their own account and/or executing orders on behalf of clients. If the Bank or Investment firm is incorporated under the laws of other countries a Memorandum of Understanding between the FRC and the competent authority in that country shall be in place. The admission of such members will be subject to the approval of the MSE Board of Directors.

2. satisfies the capital and financial requirements which the MSE prescribes.

#### **Article G.2**

##### ***(Requirements for participation)***

1. For the purpose of satisfying the requirements referred to in Article 1.3, paragraph 1 and 2, of the Rules, trading members must attest that:

- a) their trading staff know the Rules and operating procedures of the market, the technical instruments for trading and have adequate professional qualifications; the compliance officer has a good knowledge of the Rules governing the functioning of the market and provides adequate support to the trading member's organisation in their application;
- b) they have adequate systems, procedures and controls for trading activity and adequate clearing and settlement procedures;
- c) they have internal or externally outsourced IT support staff that is adequate in terms of number, experience and specialisation of the staff to guarantee the continuous and prompt functioning of the trading and settlement systems used.

2. Individuals acting as traders, market makers and may not perform their activities for more than one trading member.

3. Following requirements for Business continuity shall apply:

- a member must assess its business and operational risks and maintain adequate business continuity arrangements
- it must document its business continuity arrangements in a business continuity plan
- trading member's senior management shall be responsible for business continuity

4. If a trading member intends to resign from trading at the MSE it must provide the MSE at least 3 months written notice stating the proposed date of resignation. MSE may vary or waive the notice period. If the resignation is accepted MSE will notify all trading members of the effective date of resignation.

- i) The MSE may postpone the resignation or impose other measures necessary for the protection of investors or counterparties.
- ii) The trading member shall supply such information as is necessary for MSE to determine whether to exercise its powers under this rule.

- iii) The Trading member shall satisfy the MSE that it has taken or will take steps for the orderly winding down of its business
- iv) The Trading member to satisfy the MSE that it has fulfilled or is able to fulfil its obligations to the MSE and to its customers and counterparties as MSE may specify.
- v) MSE may not accept the resignation of a trading member:
  - a) if it is conducting an investigation or has initiated disciplinary proceedings;
  - b) if the MSE is not satisfied that the trading member has fulfilled or is unable to fulfil its obligations to the MSE and its customers or counterparties

### **Article G.3**

#### ***(Applications for admission)***

1. Requests referred to in Article 1.2, paragraph 1 of the Rules must be made by signing and sending to the MSE the Application Form together with a copy of the authorisation issued by the FRC or the equivalent Authority, if any.
2. The application referred to above shall be accompanied by the following documents:
  - a) information concerning the participation requirements;
  - b) the agreement referred to in Article 1.3, paragraph 5, of the Rules signed by the Trading Member and the Clearing Member;
3. Trading members already admitted to trading on a regulated market/segment managed by the MSE that intend to request to participate in another market or segment managed by the MSE shall send the MSE the relevant Board resolution.
4. The MSE may in its absolute discretion reject an application to be a Member. Without limiting the generality of the foregoing, the MSE may reject an application for the following reasons:
  - (a) the applicant does not provide information relating to the application as MSE requires;
  - (b) any information or document that is furnished by the applicant to the MSE is false or misleading;
  - (c) the applicant, its substantial shareholders or head office, is in the course of being wound up, or a resolution to do so is passed by shareholders, or a court order is made, to wind it up, whether in or out of Mongolia;
  - (d) Execution against the applicant, its substantial shareholders or head office, in respect of a judgment debt has been returned unsatisfied in whole or in part, whether in or out of Mongolia;
  - (e) the applicant, its substantial shareholders or head office, has entered into an arrangement or composition with its creditors that is still in operation, whether in or out of Mongolia
  - (f) a receiver, a receiver and manager, judicial manager or such other person having similar powers and duties, has been appointed, whether in or out of Mongolia, in relation to any property of the applicant, its substantial shareholders or head office;
  - (g) the MSE is not satisfied with the financial standing of the applicant, its substantial shareholders or head office;
  - (h) the MSE is not satisfied with the manner in which the applicant's business is conducted;
  - (i) the applicant, any of its Officers, substantial shareholders or head office breaches any provision involving fraud or dishonesty, whether in or out of Mongolia;

- (j) the applicant, any of its Officers, substantial shareholders or head office has been convicted of an offence under the Securities Market Law
- (k) the applicant, any of its Officers, substantial shareholders or head office is the subject of an investigation involving an allegation of fraud or dishonesty, whether in or out of Mongolia
- (l) the MSE is not satisfied as to the educational or other qualification or experience of the Officers/Staff of the applicant;
- (m) the MSE is not satisfied with the applicant's record of past performance;
- (n) the MSE is not satisfied that the applicant, any of its Officers, substantial shareholders or head office is a fit and proper person;
- (o) the MSE has reason to believe that the applicant or any of its Officers or employees may not perform the functions efficiently, honestly and fairly;
- (p) the MSE has reason to believe that the applicant may not act in the best interests of its customers; or
- (q) in the MSE's opinion, it would be contrary to the interests of the public to admit the applicant as a Trading Member.

5. If the MSE rejects an application to be a Member, the applicant may, within 14 days after it is notified of the MSE decision, appeal the decision to the MSE Board of Directors.

#### **Article G.4**

*(Notification of changes in admission conditions as well as changes resulting from corporate actions)*

1. Trading Members admitted to trading shall notify in writing the MSE of any change in the matters referred to in Article 1.3, of the Rules, as well as any change resulting from corporate actions, including changes in the name of the company.
2. Trading member must notify the MSE of the changes referred to in the previous paragraph promptly or, in case of corporate actions, with a due notice from the date on which changes will become effective
3. The MSE may request from the Trading member, through a specific communication, an update of the conditions referred to in Article 1.3 of the Rules.

#### **Article G.5**

*(Transmission of orders to the market)*

1. Trading members shall be liable for the orders sent to the market.
2. In order to ensure the adequacy of controls referred to in Article 3.2 paragraph 1 of the Rules, trading members must equip themselves with controls and automatic warning systems, taking into account the following elements:
  - a) the price of the last contract;
  - b) the spread present on the book;
  - c) price and quantity limits, possibly by instrument;
  - d) possible price impact caused by the order entered;
  - e) minimum order quantity, taking into account the economic significance of the order;
  - f) controls on limit orders in the auction phase, so as to prevent the entry of limit orders at a price that differs substantially from the prevailing market price.

In particular, trading members must equip themselves with controls and automatic warning systems that prevent the entry of anomalous orders, whose price, size or number could affect the orderly functioning of the market. To this end trading members shall take account of the nature of their activity. In addition the procedures and controls must be adequate to permit the correct entry of orders and the handling of any warnings.

## **Article G.6**

### ***(Interruptions in the trading system)***

1. Pursuant to Article 3.3 of the Rules, trading members shall promptly inform the MSE of technical interruptions or difficulties in the trading system. Trading members shall also notify the MSE of the subsequent reactivation of the trading systems.
2. Trading members may delete orders they enter. In the event that this is impossible, they may request the MSE to delete orders on their behalf
3. Trading members shall send the MSE the list of persons who may request the deletion of orders. The list may include traders, the compliance officer and other persons identified by the trading member.
4. The MSE may delete orders only at the request of persons included in the list referred to in the previous paragraph. The MSE shall notify the names of the persons in the list only to the persons indicated in the list or to the compliance officer. Requests for the deletion of orders made by persons not included in the list will not be carried out.
5. Trading members must ensure the list referred to in paragraph 3 is current. Changes to the list will be effective from the trading day subsequent to that on which they were notified. Trading members that configure their access to the market using more than one Trader Group must send the list referred to in paragraph 3 for each Trader Group.
6. When requests are made for the deletion of orders, the following information must be given in addition to the trading member's name and Broker ID: the Trader Group or the relevant access code, the name and telephone number of the person requesting the deletion and the reason for the request. For the deletion of individual orders, it is also necessary to specify the number of the order or the name of the instrument, the security symbol and its price, quantity and time of entry. When the request concerns individual orders, the maximum number of orders that the MSE will delete is five per day.
7. The MSE shall promptly carry out deletions of orders for which the request complies with what is set out above. If the orders in question have given rise to the conclusion of contracts, such contracts shall be binding on the trading member.
8. The Trading member shall provide written confirmation of the deletion(s) to the MSE the same day the deletion(s) had been requested.

## GENERAL CONDITIONS

### 1. The Services

On and subject to the terms and conditions set out herein, the Mongolian Stock Exchange (the “**MSE**”) shall provide each client (the “**Client**”) with trading services in the markets organised and managed by the MSE (the “**Markets**”), including the supply of data relating to the Markets (collectively, the “**Services**”).

### 2. Obligations and Confirmations of the MSE

2.1. The MSE shall provide the Client with the Services and shall perform its other obligations under these General Conditions using all due care and professional diligence.

2.2. If requested by the Client, the MSE shall provide technical and operational support necessary for the connection of the Client’s software and hardware equipment to the MSE infrastructure.

2.3. Subject to Condition 7.1, the MSE shall ensure the correct processing and transmission of the data and information entered by the Client into the system used for the Trading Services (the “**Trading System**”) or generated by the Trading System.

2.4. The MSE shall ensure the continuity of the Services during the term of effectiveness of these General Conditions.

2.5. The MSE confirms that:

- (a) it possesses all the technology, expertise, qualified staff and facilities necessary for the supply of the Services in accordance with these General Conditions;
- (b) it has obtained all authorisations necessary for the supply of the Services; and
- (c) its use of software to supply the Services shall not infringe upon or violate the rights of any third parties with respect to such software.

### 3. Obligations of the Client

3.1. The Client shall be solely responsible for carrying out the activities necessary for the connection of its software and hardware equipment to the MSE infrastructure and shall bear all the costs and expenses in relation thereto, except as provided in Condition 2.2.

3.2. The Client shall not:

- (a) use the Trading System except in connection with its utilization of the Services;

- (b) use Market data provided by the MSE in connection with the Services for any purpose other than trading; or
- (c) copy, record, reproduce, transfer or disclose to third parties (including its clients), sell or otherwise exploit in any other way, in whole or in part, such Market data for profit,

provided that Conditions 3.2(b) and 3.2(c) shall not apply to any data that the Client transmits to the Markets in its own right as a consequence of its trading.

3.3. The Client shall:

- (a) adopt all measures necessary to prevent unauthorised access to or unauthorised use of the Trading System and ensure that orders transmitted have not been generated by unauthorised sources or activities;
- (b) ensure that all hardware, software and other facilities used by it in connection with the Trading System is housed in suitable premises equipped with adequate security and access-control devices;
- (c) not permit any improper or unauthorised use of the Services or the codes or passwords;
- (d) immediately following alleged irregularities in the use of Market data or immediately upon request by the MSE, provide the MSE with a true, complete and accurate list of terminals, fixed or portable, which (i) may receive or display the Market data and are used internally by the Client or (ii) have been delivered to clients of the Client to which the Client provides Market data; and
- (e) apply promptly to the MSE for the disabling of codes and passwords if they are lost or stolen or if there are grounds to believe that third parties have obtained knowledge of them (and the Client acknowledges and agrees that, following receipt of any such application, the MSE may in its discretion disable such codes and passwords and send the Client new ones).

3.4. The Client shall:

- (a) equip itself, at its own expense, with the hardware, network infrastructure and software necessary to use the Services, and establish all necessary electronic links and ensure that they are fully operational during the hours the Services are supplied;
- (b) ensure that applications software that is directly connected to the Trading System conforms with the Membership Rules of the MSE (the “**MSE Rules**”) and has passed a compatibility test with the Trading System;
- (c) use in accordance with the instructions received from the MSE the codes and related passwords for the Services;
- (d) ensure full efficiency in terms of quick response in the interaction with trading and settlement systems and of resources allocation in relation to the volume of trading;

- (e) ensure speed in restoring operational capability following technical malfunctions, provide for proper levels of infrastructure redundancy and ensure an adequate disaster recovery capability if the operational site becomes totally unavailable; and
- (f) establish proper procedures which, in the event of technical malfunctions, make it possible to reconstruct any lost or corrupted data in good time with respect to the settlement deadlines and the status of transactions carried out on the Markets.

3.5. The Client shall:

- (a) identify to the MSE the name of the contact persons authorised to receive from and submit to the MSE, in the name and on behalf of the Client, any declarations or instructions from time to time (with the replacement of any such person taking effect from the business day immediately following the business day on which written notice of such replacement is received by the MSE);
- (b) provide all data and information requested under applicable laws, rules and regulations, including the MSE Rules (collectively, “**Applicable Laws**”), in a truthful, complete and accurate manner and in the format established by the MSE; and
- (c) inform the MSE immediately of any interruption, suspension, delay or malfunction in the supply or use of the Services.

**4. Confidentiality**

4.1. Except as otherwise expressly provided herein, the Client shall keep confidential and refrain from disclosing any information it obtains from the MSE in connection with the Services or these General Conditions (“**Confidential Information**”) and shall use such information only in connection with its participation in trading in the Markets and (if applicable) only in accordance with Condition 3.2. Subject to Condition 3.2, but notwithstanding anything else herein to the contrary, the Client may disclose Confidential Information:

- (a) if such Confidential Information:
  - (i) is or comes within the public domain other than as a result of a breach of this Condition 4;
  - (ii) was in the possession of the Client prior to its disclosure; or
  - (iii) has been disclosed to the Client by a third party without any obligation to maintain the confidentiality of such Confidential Information;
- (b) if such disclosure is made to employees of the Client who need to know such information for the purpose of the Client’s participation in trading in the Markets;



- (c) if such disclosure is made to professional advisers or consultants of the Client engaged in connection with the Services or the transactions contemplated by these General Conditions or its participation in trading in the Markets; and
  - (d) if such disclosure is required by any Applicable Laws, the rules of any stock exchange or any order of any competent judicial, governmental or regulatory body.
- 4.2. The Client shall procure that any person to which it discloses Confidential Information pursuant to Condition 4.1(b) or 4.1(c) complies with this Condition 4 as if such person were the Client.
- 4.3. Before the Client discloses any information under Condition 4.1(d), the Client shall (to the extent permitted by law) use its best endeavors to:
  - (a) inform the MSE of the full circumstances of the disclosure and the information that will be disclosed, and take all such steps as may be reasonable and practicable in the circumstances to avoid such disclosure or agree the contents of such disclosure with the MSE before making the disclosure; and
  - (b) gain assurances as to confidentiality from the body to which the information is to be disclosed.
- 4.4. If the MSE decides to commence any legal or other proceedings to challenge the validity of a requirement to disclose Confidential Information, the Client shall cooperate with the MSE with respect to such challenge (at the MSE's cost and expense).
- 4.5. If the Client is unable to inform the MSE before Confidential Information is disclosed, the Client shall (to the extent permitted by law) inform the MSE immediately after the disclosure of the full circumstances of the disclosure and the information that has been disclosed.
- 4.6. The provisions of this Condition 4 shall survive termination of these General Conditions for a period of three years from the date of such termination.

## **5. Communications**

- 5.1. Communications between the MSE and the Client shall be made as follows:
  - (a) communications of a general nature (including any Notices referred to in the MSE Rules) from the MSE to the Client shall be made through the MSE's website;
  - (b) individual communications by the MSE to the Client shall be in writing and sent by any means permitting documentation of receipt; and
  - (c) any communications by the Client to the MSE shall be in writing and sent by any means permitting documentation of receipt.

- 5.2. The Client shall be responsible for reviewing any communications made by the MSE in accordance with Condition 5.1 and shall be deemed to have knowledge of such communications regardless of whether it has actually reviewed them.

## **6. Amendments**

- 6.1. The Client acknowledges, accepts and agrees that the MSE may amend, modify or supplement any provision of these General Conditions from time to time in its sole discretion.
- 6.2. The MSE shall inform the Client of such amendments, modifications or supplements by posting the text on its website at least 15 calendar days before the effective date thereof (or at least 10 calendar days before such effective date, in cases of urgency arising from measures adopted by governmental authorities or duly explained technical or operational reasons).
- 6.3. Following any posting referred to in Condition 6.2, the Client shall have the right to terminate these General Conditions by delivering written notice of such termination to the MSE at any time prior to the date falling five calendar days before the effective date of the amendments, modifications or supplements described in such posting, in which case such termination shall become effective on the effective date of such amendments, modifications or supplements.
- 6.4. Notwithstanding anything herein to the contrary, additions to these General Conditions concerning the introduction and supply of new non-mandatory services shall not constitute amendments, modifications or supplements for purposes of this Condition 6.

## **7. Limitation of Liability; Indemnification**

- 7.1. The MSE shall have no obligation to examine or verify the authenticity of any data or information provided by clients or of any Market data made available by and transmitted through the Trading System.
- 7.2. Notwithstanding anything herein to the contrary, the MSE shall not have any liability under or in connection with these General Conditions except for losses incurred by the Client that are the immediate and direct consequence of a breach of these General Conditions by MSE constituting wilful misconduct or gross negligence on its part.
- 7.3. If a loss-producing event occurs in respect of which the Client deems the MSE liable under Condition 7.1, it must deliver a reasonably detailed written notice of such event to the MSE within 10 calendar days from the date on which it becomes aware, or should have become aware, of such event. Failure to observe such time limit shall result in the lapse of the Client's rights against the MSE in respect of such event. The MSE may reasonably request additional information in relation to any event of which it is informed by the Client pursuant to this Condition 7.3.
- 7.4. Notwithstanding anything herein to the contrary, the MSE shall not have any liability under or in connection with these General Conditions for damages in respect of loss of profits, loss of anticipated savings, loss of goodwill, loss of revenue, loss of business, loss of profits or any special, incidental, indirect, exemplary or

consequential losses or damages, even if it has been notified of the likelihood of such loss.

- 7.5. The Client shall indemnify, defend and hold harmless the MSE, its affiliates and its and its affiliates' respective directors, officers, employees, shareholders, advisers and representatives from and against any and all losses, liabilities, damages and direct or indirect costs and expenses (including attorneys' fees) arising out of or resulting from any breach or violation of these General Conditions by the Client, except to the extent arising out of the gross negligence or wilful misconduct of the MSE.

## **8. Force Majeure and Suspension of Performance**

- 8.1. Neither the MSE or the Client shall be liable for any delay in performing or failure to perform any of its obligations under these General Conditions if such delay or failure is due to an event beyond its reasonable control, including but not limited to the following:

- (a) wars (whether declared or undeclared), rebellions, acts of terrorists, blockades, riots, insurrections, civil commotions, revolutions, sabotage, vandalism and acts of public enemies;
- (b) explosions, earthquakes, floods, droughts, fires and other natural disasters;
- (c) national or local strikes, lockouts or other industrial disturbances (including at the company level);
- (d) electrical outages or interruptions and/or malfunctioning of electronic data carrier services; and
- (e) acts of judicial, governmental or regulatory bodies.

Notwithstanding anything herein to the contrary, neither the MSE nor the Client shall be excused from any payment obligation as a result of this Condition 8.1.

- 8.2. The Client acknowledges and agrees as follows:

- (a) the MSE is required to give effect to all instructions or orders issued by judicial, governmental or regulatory bodies or by other persons such bodies have authorised, which may lead to temporary suspensions or delays in the performance by the MSE of its obligations under or in connection with these General Conditions;
- (b) at any time during which the Client is suspended from trading in the Markets pursuant to the MSE Rules, the MSE shall be entitled to suspend performance of its obligations under or in connection with these General Conditions; and
- (c) notwithstanding any suspension or delay described in Condition 8.2(a) or 8.2(b), the Client shall remain obligated to perform its obligations under these General Conditions (including the payment of any sums due to the MSE).

## **9. Fees**

- 9.1. In consideration for the supply of the Services, the Client shall pay the MSE the fees set out in the Price List attached to these General Conditions by no later than the relevant due dates set out in such Price List.
- 9.2. If the Client fails to pay the fees or any other amounts due under or in connection with these General Conditions within the prescribed time, default interest shall accrue on such fees or other amounts at a per annum rate equal to the three-month Mongol Bank InterBank Rate then prevailing plus two percentage points.
- 9.3. Without prejudice to Condition 8.2, the Client shall remain obligated to pay all fees and other sums payable by it under or in connection with these General Conditions notwithstanding any interruption or suspension in the supply of the Services.
- 9.4. All fees and other amounts payable to the MSE under or in connection with these General Conditions are exclusive of value-added tax and any other tax or duty. The Client shall pay all sums payable by it under these General Conditions free and clear of all taxes and duties and any other deductions or withholdings of any kind unless a deduction or withholding is required under Applicable Laws. If a deduction or withholding is so required, the Client shall pay such additional amounts as will ensure that the net amount the MSE receives equals the full amount which it would have received had the deduction or withholding not been required.

## **10. Term and Termination**

- 10.1. These General Conditions shall become effective on the later of:
  - (a) the first date on which the Client becomes entitled to receive the Services; and
  - (b) the first date on which MSE receives a request from the Client to provide the Services (or the date identified in such request as the commencement date for the provision of the Services, if different),and shall thereafter continue in effect unless and until terminated in accordance herewith.
- 10.2. The Client shall have the right to terminate these General Conditions:
  - (a) at any time by delivering written notice to the MSE at least 3 months prior to termination and indicating the effective date thereof; or
  - (b) as provided in Condition 6.3.
- 10.3. The MSE shall have the right to terminate these General Conditions:
  - (a) if any event excusing performance under these General Conditions pursuant to Condition 8.1 continues for a period of 30 calendar days;
  - (b) if the Client fails to pay any fees or observe or perform any other obligations as and when required pursuant to these General Conditions and such failure continues for a period of 30 calendar days; or

- (c) if the Client is excluded from trading in the Markets pursuant to the MSE Rules.
- 10.4. The MSE shall disconnect the client from the Trading System immediately upon termination of these General Conditions.
- 10.5. The further rights and obligations of the MSE and the Client under these General Conditions cease immediately on termination hereof (except for any provisions hereof which by their terms or their nature are intended to survive such termination), but termination does not affect the accrued rights and obligations of the MSE or the Client at the date of termination.

## **11. Miscellaneous**

- 11.1. The Client shall not assign or transfer any of its rights or obligations under these General Conditions without the prior written consent of the MSE (and any purported assignment or transfer in violation of the foregoing shall be null and void). The MSE may assign or transfer its rights and obligations under these General Conditions to any successor or substitute organiser and manager of the Markets under Applicable Laws (and the Client hereby consents to any such assignment or transfer and agrees to take any action requested by the MSE in order to effect any such assignment or transfer).
- 11.2. Subject to Condition 11.3:
  - (a) the rights and remedies of the MSE and the Client contained in these General Conditions are cumulative and not exclusive of rights or remedies provided by the MSE Rules or other Applicable Laws; and
  - (b) the obligations of the MSE and the Client contained in these General Conditions are in addition to any obligations contained in the MSE Rules or other Applicable Laws (including any obligations to pay fines or penalties).
- 11.3. Notwithstanding anything herein to the contrary:
  - (a) the MSE and the Client shall observe and perform their respective obligations, duties and responsibilities under these General Conditions subject to and in accordance with (and shall refrain from such observance or performance to the extent restricted or prohibited by) the MSE Rules and other Applicable Laws; and
  - (b) the Parties shall be entitled to the rights granted to them under these General Conditions subject to and solely to the extent permitted under the MSE Rules and other Applicable Laws.

In the event of any conflict or inconsistency between the MSE Rules and these General Conditions, the MSE Rules shall prevail.

- 11.4. The MSE and the Client confirm, acknowledge and agree that a breach of these General Conditions constitutes a breach of the MSE Rules.

- 11.5. The Client acknowledges and agrees that the MSE may avail itself of third parties in connection with the supply of the Services, provided that the contractual relationship in relation to the Services shall remain exclusively between the Client and the MSE.
- 11.6. Nothing herein shall be deemed to create any contractual relationship between the MSE and any person other than the Client.
- 11.7. The failure to exercise or a delay in exercising a right or remedy provided by these General Conditions or by law does not impair or constitute a waiver of the right or remedy or an impairment of or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by these General Conditions or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.
- 11.8. The English language version of these General Conditions is a translation of the Mongolian language version hereof. In the event of a discrepancy between the two versions, the Mongolian language version shall prevail.

## **12. Governing Law and Dispute Resolution**

- 12.1. These General Conditions shall be governed by and construed in accordance with the laws of Mongolia.
- 12.2. The Client and the MSE shall attempt to resolve any dispute that arises between them in relation to these General Conditions through good faith discussions. If such parties are unable to resolve the dispute through such discussions within 30 calendar days, it shall be settled by the Mongolian courts, with the Court of Ulaanbaatar enjoying exclusive jurisdiction in this regard (and the MSE and the Client hereby unconditionally and irrevocably submit to such jurisdiction).

## **PRICE LIST**

The following Financial Resources Requirements, Fees and charges approved by the Board of Directors of the Mongolian Stock Exchange are applicable until further notice:

### **1. MINIMUM CAPITAL & FINANCIAL RESOURCES REQUIREMENT**

#### **Broker Dealers**

##### **1.1.**

##### **1.2.Collateral -**

It will be based on a participants risk exposure subject to a minimum collateral requirement of 10,000,000 MNT

### **2. FEES & CHARGES**

#### **2.1.Membership Fees**

Application Fees	MNT 500,000
Admission Fees	MNT 15,000,000
Annual Membership Fees	MNT 2,500,000
Annual Membership Fees for Underwriting Companies	MNT 3,500,000

Application Fees shall be paid when applying to become a member and the confirmation receipt should be submitted with all other documents required to apply for MSE membership. Admission Fees shall be paid within 5 business days after the membership request has been granted by MSE Board of Directors. Annual Membership Fees for Brokerage and Underwriting Companies shall be paid by February 15<sup>th</sup> of every fiscal year. New members shall pay Annual Membership Fees on pro rata basis for the remainder of the fiscal year.

/Above part of the agreement was amended according to the MSE Board of Directors' Resolution №6 from February 17<sup>th</sup>, 2012/

#### **2.2.Trading Fees**

The Exchange will continue to levy the current fees in the first three months. The Exchange will monitor trading patterns in the new environment after which it will propose a new fee structure which is expected to be lower.

#### **2.3.Trader Front-end.**

The Exchange will levy a monthly fee of MNT 195,000 per user ID

#### **2.4.Fines**

Up to a maximum of MNT 5,000,000 per event