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October • 2013

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# E-Newsletter

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**MONGOLIAN  
STOCK EXCHANGE**



UK FTSE Group signs co-operation agreement with Mongolian Stock Exchange



Sharyn gol JSC Announces closure of tender offer for and acquisition naco fuel JSC, expanding the company's operations into value-added, clean coal products



MEMORANDUM OF UNDERSTANDING WAS SIGNED WITH SECURITIES AND FUTURES COMMISSION OF HONG KONG



TTSec LLC excluded from MSE membership



Announcement

## Event

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- Sharyn gol JSC Announces closure of tender offer for and acquisition naco fuel JSC, expanding the company's operations into value-added, clean coal products
- Memorandum of understanding was signed with securities and futures commission of Hong Kong
- TTSec LLC excluded from MSE membership
- Announcement

## MARKET STATISTICS

- Monthly trading report - October 2013

## UK FTSE GROUP SIGNS COOPERATION AGREEMENT WITH MONGOLIAN STOCK EXCHANGE

*International capital market index calculation and research leader, the UK's FTSE group has signed "Cooperation Agreement for the design and calculation of financial indices" with MSE on 18th October 2013.*



FTSE calculates over 120,000 end of day and real-time indices covering more than 80 countries and all major asset classes.

A great number of professional investors base their investment's prudent decision based on FTSE index calculation and market information, which places FTSE in a leader position in the world financial market.

MSE is working together with FTSE group to adopt global index methodology to Mongolian capital market by 2nd quarter 2014.

The new indices will enable accurate measurement of the market performance, attract international investment and boost investor confidence to Mongolian Capital Market.



### SHARYN GOL JSC

#### OWNERSHIP CHANGES IN "NACO FUELS" JSC



Sharyn Gol JSC (MSE:SHG) tender offer for Naco Fuels JSC (MSE:NKT), with the acquisition of 11,723,989 shares, representing 92.9% of Naco, has been successfully executed. Hence, Sharyn gol acquires Naco, which owns a coal enrichment and briquetting plant located in Darkhan, Mongolia. Sharyn Gol intends to return Naco's plant, which is ideally situated to enrich Sharyn Gol's coal into clean burning char and smokeless briquettes, to operation in October 2013.

There is strong demand for smokeless fuel in Mongolia amounting currently to an estimated 500,000t of smokeless fuel in UB city alone, with additional markets in the industrial cities of Darkhan and Erdenet, plus other industrial users. The replacement of raw coal with smokeless fuel as the primary heat source in the informal housing (ger) dis-

tributes would significantly reduce air pollution in Ulaanbaatar and elsewhere.

Graham Chapman, Sharyn Gol's CEO, stated: "The Naco acquisition represents a logical expansion of Sharyn Gol into the highly attractive market for coal briquettes. Sharyn Gol intends to aggressively expand its smokeless fuel business and will continue to make opportunistic investments to maximize revenue and cash flow growth for the benefit of all its shareholders".

Resource: [www.sharyngol.com](http://www.sharyngol.com)

## Memorandum of understanding signed with Securities and Futures commission of Hong Kong



On October 11, 2013, Carlson Tong, Chairman of Securities and Futures Commission of Hong-Kong and Mark Stuart, Head of Enforcement of the Commission along with several representatives signed a memorandum with the Financial Regulatory Commission of Mongolia for the purpose of information exchange and mutual cooperation.

The memorandum covers a number of cooperation areas such as protection of investors' rights pursuant to the principle of efficient, open, and transparent market, monitoring of securities trading and settlement, enforcement of proper operations of market participants, combating with financial crimes including market manipulation and insider trading and ensuring the implementation of market rules and regulations.

Within delegation official visit to Ulaanbaatar, MSE management held a meeting with relevant officials and introduced MSE operations, current market conditions and upcoming action plans and exchanged views regarding capital market development, future cooperation and legal environment.

During the meeting, parties agreed to cooperate with MSE to attract foreign professional investors to Mongolian capital market and promote and advertise domestic market at international level.



### “TTSEC” LLC EXCLUDED FROM MSE MEMBERSHIP

Based on Financial Regulatory Commission Resolution No.: 344 of 2013, article No.: 8 of Charter of “Mongolian Stock Exchange” JSC and clause No.: 6.3 of Membership Rules of “Mongolian Stock Exchange” JSC, “TTSEC” LLC’s membership right has been terminated.

## Announcement

## Event



The Parliament and the Cabinet of Mongolia issued resolutions in 2009 and 2010 to develop Mongolian stock market in line with international standards, for which London Stock Exchange has been selected as a strategic partner. Agreements between LSE, State Property Committee and MSE have been signed in 2010 and 2011 respectively. Since then MSE has achieved certain milestones as follows:

- In scope of regulatory reform, MSE played a significant role in drafting the Securities Markets Law and Investment Fund Law. The two laws will be in effect from 1st of January, 2014. All the regulations and guidance to follow the law is being drafted before the law comes into effect.
- One of the fundamental factors to successfully implement the revised Securities Law is the infrastructure reform. Millennium IT system was launched on 2nd of July, 2012, and Financial Regulatory Committee, MSE, Mongolian Securities Clearing House and Central Depository, and brokerage firms are using the system.



- Along with the system renewal, clearing system was shifted from pre-paid to T+3 promoting foreign investment, which will be fully beneficial with the introduction of custodian services. Commercial banks now perform the cash settlement of the trades, making the post-trading operations more aligned with international standards.
- 120 market professionals attended LSE training in London and Ulaanbaatar to improve further their professional knowledge. In addition, educational materials are provided to the general public through MSE's website.
- MSE has been publishing registered companies' financial statements, shareholders meeting announcements, press releases in a timely manner improving corporate governance of the companies.

For example, last year only 97 companies have submitted their financial statements, while in 2013 the number increased by 2.23 times to 217 companies.

1. Since the implementation of Millennium IT system, there has been no glitch or system failure during this one year period. The system is used by over 30 stock exchanges and financial institutions in 20 countries including the LSE. The system provides various benefits including T+3 settlement, online trading, block trades and market making. For example, from April, 2013 brokerage companies started online trading and currently 15 companies are trading from their offices.



Due to the international practice that investment banks, not the stock exchange, deal with allocation during IPO procedure, Millennium IT system does not include IPO functions. Considering the characteristics of domestic market, MSE has requested a customized IPO feature for the current system.

MSE announced that it is ready to have the Millennium IT system audited by independent international auditors to confirm whether the system aligns with international standards.

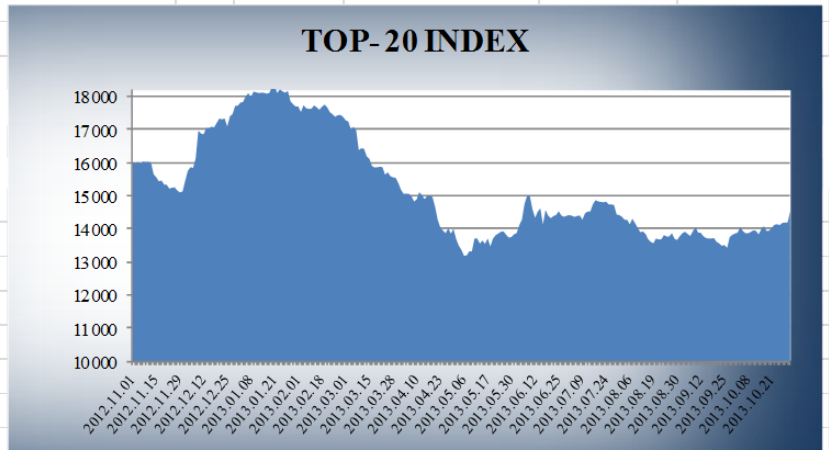
2. The total budget for the project was determined to be USD14.2 million by the Cabinet, which includes technology improvements, staff training, legal environment improvement consultancy fees and other services. From the budget, USD5.2 million was financed from the state budget, additional USD1.7 million was borrowed from banks, thus overall USD6.9 million is spent as of today.

3. The decrease in trade volume is mostly due to the decrease in foreign investment into Mongolia that accounts for 90% of the overall trades of MSE. However, MSE views the situation as temporary. It is worth noting that MSE is working hard to promote Mongolian financial market in order to attract foreign investors, to encourage domestic companies to raise capital through the stock market and to improve public education about the stock market. Therefore, we view that inaccurate information about MSE's operations could lead to negative effects such as decrease in investment from both foreign and domestic investors.

## MONTHLY TRADING REPORT

October:2013

Brief statistics	
Traded volume	16,473,156.0
Total traded value /MNT/	48,689,698,904.0
Number of transactions	1,516.0
Number of traded securities	93.0
Market capitalization /MNT/	1,541,501,618,349.00
TOP-20 index	
Close	15141.45
Pre-close	13816.13
Change /MNT/	-15141.45
Change /%/	91.24707343
52 w eeks	High 18301.93
	Low 13188.46



### Actively traded securities:

By volume:					By value:				
No	Symbol	Securities name	Volume	Price /MNT/	No	Symbol	Securities name	Volume	Price /MNT/
1	APU	APU	14748519	47,662,550,390	1	APU	APU	14748519	47,662,550,390
2	HRM	HERMES CENTER	720675	108,446,254	2	TTL	TAVANTOLGOI	113151	376,087,579
3	ETR	E-TRANS LOGISTIC	291760	34,719,080	3	HRM	HERMES CENTER	720675	108,446,254
4	JTB	JENCO TOUR BUREAU	165993	14,108,376	4	SUU	SUU	1041	83,699,740
5	HBO	HBOil	113509	41,884,860	5	BDS	BDSEC	19525	57,600,340

### Rise rs:

No	Symbol	Securities name	Pre-close	Closing price /MNT/	Change	
					MNT	%
1	MVO	MONGOL SHEVRO	1200	1950	0	62.5
2	BUK	UB-BUK	25320	40000	750	57.9778831
3	MNS	MONNOOS	2100	3180	14680	51.42857143
4	TTL	TAVANTOLGOI	3200	4250	1080	32.8125
5	SOI	EUROFEU ASIA	1800	2380	1050	32.22222222

### Fallers:

No	Symbol	Securities name	Pre-close	Closing price /MNT/	Change	
					MNT	%
1	MNH	MONGOL NEKHMEL	6500	4700	0	-27.69230769
2	BHR	BAYANKHAIRKHAN	680	510.42	-1800	-24.93823529
3	EER	EERMEL	2899	2300	-169.58	-20.66229734
4	HHC	BISHRELT INDUSTRIA	3500	2900	-599	-17.14285714
5	MIB	MONINJBAR	280	235	-600	-16.07142857