



INVESTOR'S GUIDE

Trading on the Mongolian Stock Exchange

Introduction

The Mongolian Stock Exchange (MSE) has always been aware of the importance of international stakeholders in the development of the Mongolian Capital Markets, thus in the last year we have been working to create a friendly and transparent environment for foreign investors willing to invest in Mongolia. To make this possible, a new trading platform has been deployed by MillenniumIT¹, meaning that the Mongolian Stock Exchange is run on the same technology that powers also the London Stock Exchange, BorsaItaliana (Italian Stock Exchange), Johannesburg Stock Exchange and many others around the world. The Market has also moved from pre-funding to T+1 settlement cycle.

At the same time, we are working with the Financial Regulatory Commission (FRC) and with the Government to improve the legal and regulatory framework. As a result, a complete new set of rules has been approved in the last months, with regards to listing, trading and settlement. The new rules are available on the MSE's website (<http://www.mse.mn/>).

Account Requirements

Investors are required to open three accounts to be able to trade Mongolian stocks listed on the MSE:

1. **CSD's ACCOUNT.** An account opened at the Mongolian Securities Clearing House & Central Depository (MSCH&CD). In Mongolia it is required for individual investors to open securities accounts at the Central Depository: this ensures that registration of securities is always tracked. To open an account at the MSCH&CD, investors are required to complete the relevant form that the broker should provide ("Client Account Opening Agreement at the Central Depository"). To complete the registration, investors shall provide their brokers with the following information and documentation:
 - a. Surname and given name;
 - b. Country of Residence;
 - c. Passport number and copy of the passport;
 - d. Contact details (address, phone number, email); and
 - e. Bank Account details (see Clearing Bank Account section below).After receiving the above information, the broker shall send the documentation to the MSCH&CD and electronically instruct the MSCH&CD to open the account (subject to MSCH&CD's approval). Once the account has been opened, investors may also request permission to view their balances directly on MSCH&CD's website, by simply completing a form² and submitting it to the MSCH&CD.
2. **BROKER'S ACCOUNT.** An account opened with one of the brokers that are now fully compliant with the new regulations and thus are allowed to trade on the MSE (a daily updated list of fully compliant brokers

¹MillenniumIT is a premier technology solutions provider serving the global capital markets industry. The Company's products currently powers exchanges, depositories, brokerages and regulatory bodies in the United States, Europe, Africa and the Asia-Pacific region. MillenniumIT is a wholly owned subsidiary of the London Stock Exchange Group.

² The form may be found at <http://www.schcd.mn/wp-content/uploads/2011/03/Internet Service EN.pdf>.

may be found on the MSE's website <http://www.mse.mn/members>). Common requirements to open bank accounts for trading purposes are the following³:

a. *for individuals:*

- i. Passport or Identification card (notarized copy if not physically present in Mongolia); and
- ii. Duly Completed Client Account Opening Agreement at the MSCH&CD.

b. *for legal entities:*

- i. A request to open an account at the MSCH&CD;
- ii. Notarized copy of certificate of incorporation;
- iii. Duly Completed Entity Account Opening Agreement at the MSCH&CD;
- iv. Resolution of the Board of Directors or Shareholders' Meeting specifying the appointment and power of the representative(s) authorized to conduct operations upon the account;
- v. Specimen signatures of the authorized representative(s); and
- vi. Notarized copy of passport or Identification card of the authorized representative(s).

The Law on Combating Money Laundering and Terrorism Financing (8th July 2006)⁴ sets out the common requirements that all the Mongolian brokers shall meet in terms of obtaining information from their clients, i.e.

- a. if the customer is an individual, his or her father's or mother's name, given name, registration number, residential address, contact phone number, and a notarized copy of citizen's identity card;
- b. if the customer is a legal entity, name of the entity, its address, national registration and tax payer number, contact phone number, a notarized copy of its national registration certificate, and detailed information on its management.

3. **CLEARING BANK ACCOUNT**. An account opened with a commercial bank, which should be the same bank chosen by your broker as Clearing Bank⁵. The account is a Special Purpose Account (also called

³ The purpose of the following list is just to give the investor an idea of what he/she could be asked from its broker. However, different brokers may have put in place different internal procedures, and may thus require different (or additional) documents and information.

⁴ To see the full law: http://www.mongolbank.mn/documents/law/Law_on_terrorism_financing.pdf. For further information, see also <http://www.mongolbank.mn/eng/listCMA.aspx?did=>, the website of the Mongol Bank's Financial Information Unit.

⁵ As of 1st August 2012 Mongol Bank recognizes the following four commercial banks have been granted the status of Clearing Banks: Golomt Bank, Khan Bank, Trade & Development Bank, XacBank.

Special Escrow Account) opened for the purpose of cash settlement of trades and collection of dividends. The requirement to open an account with a Clearing Bank is part of the new Settlement Rules published by the MSCH&CD, which came into force on 2nd July 2012. Common requirements to open bank accounts for trading purposes are the following⁶:

a. for individuals:

- i. Application form for opening a Special Escrow Account -provided by the bank;
- ii. KYC form - provided by the bank;
- iii. Notarized copy of a passport;
- iv. Notarized signature form-provided by the bank; and
- v. Copy of an intermediary agreement signed with your Brokerage firm.

b. for legal entities:

- i. Application form for opening a Special Escrow Account -provided by the bank;
- ii. KYC form - provided by the bank;
- iii. Notarized copy of company state registration certificate;
- iv. Notarized signature form of authorized persons those sign on withdrawal transaction slip/order-form provided by bank; and
- v. Copy of an intermediary agreement concluded with your Brokerage firm.

The Law on Combating Money Laundering and Terrorism Financing (8th July 2006) sets out the common requirements that all the Mongolian clearing banks shall meet in terms of obtaining information from their clients, i.e.

- a. if the customer is an individual, his or her father's or mother's name, given name, registration number, residential address, contact phone number, and a notarized copy of citizen's identity card;
- b. if the customer is a legal entity, name of the entity, its address, national registration and tax payer number, contact phone number, a notarized copy of its national registration certificate, and detailed information on its management.

However, each bank is free to set its own additional requirements. E.g., even if physical presence is not required by law, a Clearing Bank may ask its clients to come in person or to grant a Mongolian citizen with the power of attorney to open the account on their behalf.

⁶ The purpose of the following list is just to give the investor an idea of what he/she could be asked from its Clearing Bank. However, different banks may have put in place different internal procedures, and may thus require different (or additional) documents and information.

Annex - Useful links

Useful links:

1. MSE's website: <http://www.mse.mn/>
2. MSCH&CD's website: <http://www.schcd.mn/?lang=en>
3. Mongol Bank's website: <http://www.mongolbank.mn/eng/default.aspx>
4. FRC's website:

http://www.frc.mn/engnew/index.php?option=com_content&view=frontpage&Itemid=1

Please find below other useful sources of information:

1. Foreign Investment Law of Mongolia - http://www.mse.mn/doc/law/english/en_investment_law.pdf
2. Securities Law of Mongolia (unofficial translation) - http://www.mse.mn/doc/law/english/en_sec.pdf
3. Company Law - http://www.mse.mn/doc/law/english/en_company.pdf
4. Law on Combating Money Laundering and the Financing of Terrorism:
<http://www.mongolbank.mn/documents/cma/cma1eng.pdf>
5. MSE's Rules and Regulations: <http://www.mse.mn/content/show/id/40>



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