

## **CLOSED-END FUND LISTING RULES**

### **ONE. GENERAL PROVISIONS**

- 1.1 These Rules shall regulate matters concerning the listing of the closed-end mutual fund units (hereinafter units) to the Securities List of the 'Mongolian Stock Exchange' JSC /hereinafter referred to as 'the Exchange', setting the listing criteria, offering the units to the public, suspending and resuming the trade and delisting the units.
- 1.2 These Rules shall be adhered to by the unit issuers, both listed and applying for listing on the Exchange, their members of the Board of Directors /hereinafter referred to as the 'Board', authorised persons, influential unit holders, auditors, lawyers and valuation firms and other parties related to the process of the issuance of units.
- 1.3 In the event of any ambiguity in any of the provisions of these Rules, MSE shall have a right to interpret these Rules.

### **TWO. LISTING THE UNITS OF INITIAL PUBLIC OFFERING**

- 2.1 The application for listing and the unit prospectus shall be signed and sealed by the issuers' Chairperson of the Board of Directors and Chief Executive Officer. The following documents shall be attached to the listing application:
  - 2.1.1 Listing application /Form 1/
  - 2.1.2 Issuer's declaration /Form 2/
  - 2.1.3 Underwriter's declaration if the issue is underwritten /Form 3/;
  - 2.1.4 Listing decision by the issuer's competent authority;
  - 2.1.5 Unit prospectus registered by FRC;
  - 2.1.6 Fund Charter and State registration certificate;
  - 2.1.7 Opening balance sheet of the Fund;
  - 2.1.8 Fund business plan and relevant research report;
  - 2.1.9 Investment policy documents;
  - 2.1.10 Copy of the agreement signed with an investment management company;
  - 2.1.11 Copy of an agreement signed with a custodian;
  - 2.1.12 Rules and regulations of the Fund (Rules on valuation of fund units; Rules on providing information to unit holders; Rules on managing fund assets; Rules on managing risks; Rules on internal control; Rules on liquidation, etc)
  - 2.1.13 Legal opinion on the internal rules, regulations and agreements of the Fund;

- 2.1.14 Detailed information of influential unit holders, Board of Directors, Executive management, professionals, custodian bank and auditor /Form 4/;
- 2.1.15 FRC reference letter evidencing that the Board of Directors, Executive Management and other authorized professionals are suitable persons;
- 2.1.16 Charter of the Investment management company and audited financial statements for the recent 2 years of period;
- 2.1.17 Copy of agreement signed between the investment management companies if there are more than one investment management company;
- 2.1.18 The receipt confirming the payment of the listing application fee as specified in the provision 6 of these Rules.
- 2.1.19 Other materials as considered as necessary.

2.2 In addition to the provision 7 of the FRC Rules on Establishing and Licensing Mutual Funds, the unit prospectus shall contain the following information:

- 2.2.1 Procedures of public offering and allocation of the units;
- 2.2.2 Procedures of valuing and informing net asset value of the Fund;
- 2.2.3 Investor's all-in costs stipulated in details;
- 2.2.4 On the first page of the prospectus shall be the following warning in bold letters:  
"Be advised that the Mongolian Stock Exchange's approval of the listing of the units does not constitute any guarantee on the risks of the securities and past performance of the issuer will not guarantee the future performance of the fund. Be warned that the purchase of these securities is ALWAYS RISKY for you as an investor and be reminded to make your investment decision after careful examination of the unit prospectus and unit issuance procedure."

2.3 The prospectus shall be signed and sealed by the Chairperson of the Board of Directors and the CEO of the Fund, and the issuer's CEO and shall contain a declaration stating "The unit prospectus submitted to the Stock Exchange is the same as the one submitted to the Financial Regulatory Commission and does not contain any inconsistency";

2.4 The issuer shall submit to the Exchange two printed originals of the listing application, prospectus and other documents that comply with the requirements set out in these Rules.

2.5 The Exchange shall adhere to the provision 8 of the Listing Rules of the Mongolian Stock Exchange in reviewing, listing and refusing to list the units.

### **THREE. LISTING CRITERIA FOR THE INVESTMENT FUND UNITS**

3.1 The applicant issuer shall meet the criteria specified in these Rules when initially applying for listing and during the entire time that the units are listed.

3.2 The applicant issuer shall meet the following listing criteria:

- 3.2.1 The Board of Directors, Executive management and authorized officials of the issuer and the Fund shall be suitable persons under the FRC requirements;
- 3.2.2 In addition to the provision 2.2.6 of the “FRC Regulation on Licensing And Operation of Investment Management Activities”, the Fund manager shall have passed at least CFA Level 2 examination **or** have a working experience of no less than 5 years in the financial market in the field of asset management;
- 3.2.3 Have been in operation for at least 2 years and have satisfactory experience in managing funds;
- 3.2.4 The Issuer shall have a proper system for calculation and information delivery of net asset value of the Fund;
- 3.2.5 The units must be able to clear through the system of Mongolian Securities Clearing Center LLC.

#### **FOUR. ONGOING OBLIGATIONS OF FUND**

- 4.1 The issuer and the fund shall fully exercise the duties for investors and authorised bodies as specified in the legislation, rules, regulations and instructions effective in Mongolian securities market.
- 4.2 The issuer and the fund shall continue to meet the criteria specified in these Rules for listing units during the time that its units are listed on the Exchange and the following additional requirements:
  - 4.2.1 To comply with FRC Regulations related to mutual funds;
  - 4.2.2 To strictly adhere to the Investment policy documents and get approval from the unit holders before making amendment in it;
  - 4.2.3 To maintain a public ownership of at least 25 percent of the issued and outstanding units and at least 100 public shareholders;
  - 4.2.4 To have a dedicated department in charge of disseminating information pertaining to the units to the public, and maintain its own website to disseminate information to unit holders in accordance with the related legislation;
  - 4.2.5 To disseminate the Fund’s net asset value to public through its own and the Exchange’s website no later than 3 pm of every trading day;
  - 4.2.6 To notify the Exchange of any changes in the influential unit holders of the Fund within 5 business days;
  - 4.2.7 To prepare reports containing changes in the net asset value, realized and unrealized revenues and expenses, performance fee, any dividends paid to unit holders and composition of the portfolio on a monthly, quarterly and yearly basis in accordance with the GIPS and provide to the Exchange by the 10<sup>th</sup> of each month, March 31 and July 20 respectively;
  - 4.2.8 To perform payment obligations within the specified timeframe;
  - 4.2.9 To notify the Exchange of any changes in operation, structure and rules of the Fund and the issuer within 3 business days;
  - 4.2.10 To notify the Exchange of any regulatory measures imposed on the Fund within 2 business days;

- 4.2.11 To notify the Exchange within 3 business days of any decision to pay dividends that contains dividend amount, payment date and record date;
- 4.2.12 To provide other relevant information set out in the Securities Market Law and the Investment Funds Law in a timely manner;

## **FIVE. TRADE SUSPENDING AND DELISTING OF UNITS**

5.1. The Exchange shall suspend the unit trading based on the Notice of the FRC State Inspector and shall inform the State Inspector to suspend the trade in the following cases:

- 5.1.1 Any circumstances that may adversely affect investors' interests as a result of the failure of issuer to perform its obligations;
- 5.1.2 The net asset value of the Fund decreased by 40 or more percent for 10 consecutive days compared to its first day of operation;
- 5.1.3 The rights and obligations undertaken by contracts established with custodian or investment management company had to be transferred to another legal entity, due to the liquidation, suspension and/ or revocation of license of custodian or investment management company;
- 5.1.4 The obligations of the Fund to any third party led to decrease the Fund's net asset value 40 or more percent for 10 consecutive days compared to its first day of operation or from the amount of proceeds raised from public;
- 5.1.5 Other relevant grounds stated in Law and rules.

5.2. The units shall be delisted on a voluntary basis and in the following cases:

- 5.2.1 Upon consecutive failure by the issuer to meet its ongoing obligations and duties as stated in the law, rules, regulations and contracts;
- 5.2.2 More than one year has elapsed since the suspension of the units trading and the trading has not resumed or the causes for suspension have not been rectified;
- 5.2.3 The Fund is merging with another Fund by the decision of the unit holders;
- 5.2.4 The operation term of the Fund has expired;
- 5.2.5 The Fund has bankrupted;
- 5.2.6 Other relevant grounds.

5.3 The Exchange shall inform the FRC to resume the trading in the following cases:

- 5.3.1 The causes for suspension have been rectified;
- 5.3.2 The regulatory measures imposed on the Fund has been deemed as inappropriate by the authorized entity.
- 5.3.3 Other ground set out in the Laws and rules.

## **SIX. FEES**

6.1 As stated in Article 49.3 of the Securities Markets Law, the Exchange is entitled to set and charge fees to exercise its functions such as reviewing listing applications, listing the units, making arrangements for purchase and sales through public offering, and organising the trading.

6.2 The fees charged by the Exchange to the issuers are of the following types:

6.2.1 Listing application review fee – MNT2,000,000;

6.2.2 Initial listing fee – 1% of value of total listed units;

6.2.3 Annual listing fee – 0.1% of net asset value and the minimum amount shall be no less than MNT2,500,000.

## **SEVEN. LIABILITIES**

7.1 The issuer, its authorised persons and other related parties shall be held liable for any violation of these Rules and other relevant rules and regulations. The type and amount of liability shall be decided in accordance with these Rules and relevant legislation.

7.2 If the issuer fails to pay the annual listing fees within the timeframe specified in these Rules, the issuer shall pay 0.5% penalty on each day the payment is delayed.

7.3 The Exchange shall monitor the issuer's compliance with the relevant legislation, rules and regulations as set out in provision 8.2 of these Rules and impose requirements to remedy the violations detected and may impose penalties as specified in these Rules and the listing agreement.

7.4 The issuer, its authorised persons and other related parties may be imposed the following sanctions separately or in combination.

7.4.1 Warning;

7.4.2 Penalty specified in the listing agreement;

7.4.3 Notify FRC for suspension of units trading;

7.4.4 Delisting the units.

7.5 The sanction shall be chosen based on the type and degree of severity of the violation by the issuer, its authorised person and other related parties.

7.6 Parties involved in the preparation of the units prospectus, and other relevant documents shall be liable for the damages caused to others in relation to the services provided by such person.

## **EIGHT. MISCELLANEOUS**

8.1 The issuer may make a complaint to the FRC in case of a refusal to accept the decision made by the Exchange in relation to the issuer or its securities within 10 business days since receiving the decision.

8.2 The Exchange's Surveillance Department shall monitor the issuer's compliance with the relevant legislation, rules, regulations and instructions as set out in relevant surveillance regulation and may conduct on-site inspections.