

Stock Exchange Membership Regulation

CHAPTER I. COMMON JUSTIFICATION

1.1. Application, requirements, conditions for membership and relationship between Mongolian Stock Exchange and member securities companies shall be regulated by present rule.

1.2. Members shall be the companies licensed from Securities Exchange Commission.

1.3. Members are entitled to operate in any other sector which is not restricted by Securities Law and by SEC.

1.4. Members differentiates as Members with the right for sit and Members without right for sit.

- a. Member with the right for sit is a securities company who is entitled directly trade in the MSE.
- b. Members without right for sit can trade only through Members with the right for sit.

1.5. Changes to these rule can be introduced by Board of Directors of the MSE and by Board of Governors based upon it's members' advise.

1.6. In these regulation

Right for sit - the right for sit (for direct participation in the trading) in the MSE obtained in accordance with the relevant rules and procedures.

Vacant sit - the vacant sit which may be created as a result of the improvement of technical condition of the MSE or as a result of membership termination of certain member company.

Discipline notepaper - special notepaper which should be used to bring in responsibility the failed members.

CHAPTER 2. MEMBERSHIP ADMISSION

2.1. A securities company wishing to apply for membership shall produce following documents:

- a. An application for membership
- b. Operation manual
- c. A copy of the agreement on office rant
- d. Organizational Chart (questionnaire of each employee)
- e. A copy of the order about admission into the job
- f. A copy of list of the companies assets
- g. Audited financial statement for current period
- h. Rules and procedures of an applicant company
- i. A copy of the financial business and securities operation license
- j. A copy of license of the dealers or brokers
- k. A copy of the limited company registration certificate

2.2. During 30 days after receiving an application for membership the Board of Governors should organize the discussions to evaluate the applicant.

2.3. Board of Governors shall adopt resolution about Membership admission.

2.4. Following requirements MSE imposes to the Members:

- a. Members shall have appropriate equipped office for the operation.
- b. Head office of the Member should have more than 4 officers, branch office should have more than 3 officers. All officers should be licensed from SEC
- c. Managers of the Member securities company have to have higher education in economy and finance, have more than 3 years working experience and have knowledge about securities market.

2.5. In following cases the membership application can be not accepted

- a. If an applicant has used a false information to draw up the required documents.
- b. If an applicant fails to provide the investors with fair and high qualified intermediary services with sufficient equipment and professionals.
- c. If there are appears any infringements in documents submitted to the Exchange, or submitted not all required documents.
- d. In virtue of other reasons.

2.6. An applicant securities company not admitted as a member shall be notified in written.

2.7. The applicant not accepted as a member has right to apply for membership again.

CHAPTER 3. RIGHT FOR SIT

3.1. The Board of Governors shall fix the number of sits in the MSE.

3.2. In case of appearing the vacancy sit, the MSE shall announce to all members within determined period of time.

3.3. The members shall apply for the right for sit to the MSE.

3.4. If the number of qualified members exceeds the number of vacancy sits the sit right will be sold to those members by auction and by the decision of the Board of Governors .

3.5. The members with sit shall pay fee for sit during 14 days since the day of acquisition of the right.

3.6. A Member with the right for sit will be provided by certificate and disciplinary notepaper.

3.7. MSE will make a co-operation agreement with Members.

3.8. Disciplinary notepaper shall consist of following items.

- a. Number;

- b. Members' name;
- c. Certificate number
- d. Date, the notepaper was issued
- e. Table for penalty score notification

3.10. Disciplinary notepaper valued during 6 month. But in any case it will not be given again.

3.11. The right for sit can be extended except the case indicated in clause 3.12.

3.12. In following circumstances the right for sit can be canceled.

- a. Cancellation of the right for sit can be done by members' own discretion;
- b. Disciplinary notepaper has been remarked three times;
- c. By the decision undertaken by SEC;
- d. By the decision undertaken by Board of Governors of the MSE;

3.13. Cancellation of the right for sit can be done by members' own discretion. In this case certain percent from fee for sit will be returned back taking into consideration the duration of possession of sit.

Duration of possession of a sit Amount for return

Till 6 month 50%

Since 6 month till 1 year 30%

Since 1 year till 1year 6 month 10%

3.14. If the right for sit of the Member has been canceled according to the clause 3.10 a,b,c, only after 1 year Member can apply again for the right.

CHAPTER 4. BRANCH OFFICE

4.1. According to the Civil Law, Partnership Law Members are allowed to open a branch offices within the Mongolia and foreign country.

4.2. An issue about opening a branch office shall be concluded by Board of Directors of the MSE.

4.3. Following documents are required to open the branch office:

- a. An application for the right to open a branch office;
- b. Management decision to open a branch;
- c. Operational statutes of the branch;
- d. A copy of the agreement on office rent
- e. A copy of the order about admission into the job
- f. Others.

4.4. Within 30 days after receiving application Board of Directors of the MSE will take on the decision.

4.5. Branch office should fully comply with the requirements stated in a clause 2.4 of this rule.

4.6. By following reasons branch office can be closed:

- a. By their own decision;
- b. Failed to comply with requirements of clause 2.4

CHAPTER 5. GENERAL DIRECTION OF THE OPERATION OF THE MEMBERS

5.1. Members shall adhere to the Securities Law in their operation.

5.2. Duties of the Members in front of the MSE shall be regulated by this agreement.

5.3. Members shall charge brokerage commission for the service. SEC shall indicate the ceiling fore the commission.

5.4. Members should notify the appropriate department of the MSE each time when happens changes in shareholders' structure of a Member, management has changed, changes in staff etc.

CHAPTER 6. MEMBERSHIP FEE

6.1. Members pay following fee.

- a. Entry fee 5 000 000 TUG charges once from new Member. A new member shall not pay membership fee at first entry year.
- b. Membership fee 1 000 000 TUG shall be charged every year.
- c. Fee for sit 10 000 000 TUG shall be paid once with the acquisition of right for sit.

6.2. The rate of fee can be adjusted by Board of Governors with advise of Board of Directors of the MSE.

CHAPTER 7. SUPERVISION OVER MEMBERS

7.1. Supervision over Members should be regulated by "Supervision Rule of the MSE" .

7.2. Membership can be terminated upon following reasons:

- a. By Members' own decision;
- b. Failed to fulfill requirements indicated in clause 2.4
- c. SEC has canceled Members' license to operate in the securities market;
- d. Bankruptcy of the Member;
- e. Failed to fulfill duties imposed by the agreement;
- f. If financial condition of the Member is on the verge to cause a damage to the interest of the investor.
- g. If a Member did actions which could badly effect to the reputation of the MSE.

7.3. Board of Governors of the MSE shall undertake resolution about the termination of the membership based upon proposals submitted by Board of Directors of the MSE. The decision shall be announced to the public and to the Member in written form.

7.4. If Member will consider that resolution undertaken by Board of Governors groundless, Member can complaint to relevant organization within 14 days.