

**MONGOLIAN STOCK EXCHANGE
ELECTRONIC TRADING SYSTEM TRADING RULES**

November 23, 2011

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Interpretation of Rules

Unless expressly provided to the contrary, the interpretation of these Rules shall be in conformity with the definitions set out in the ~~MSE and MSCHCD's~~ Glossary. In the event of any ambiguity the Board of Directors of the MSE or any Committee thereof, or their designee(s) shall have authority to interpret the Rules of the MSE. Interpretations of the Board of Directors or any Committee thereof, or their designee(s) shall be final and binding subject to an appeal to the Financial Regulatory Commission (FRC) of Mongolia and such appeal shall be made within 7 calendar days.

In the event of any conflict between any of the provisions of these Rules and MSE operational guidelines and procedures, these Rules shall prevail.

Introduction

The Electronic Trading System is designed to match buy and sell orders placed by the Trading Members of the MSE. Bid and Ask prices and volumes are entered into a central electronic Order Book. During trading hours, orders are matched according to fixed rules and execution prices are set. Price and volume details of all completed transactions are electronically communicated immediately to all the members involved.

The Trading Day at the MSE will be divided into following time periods:

1. Pre-Trading
2. Opening Auction Call
3. Regular Trading
4. Market Close
5. Post Close

During Pre-Trading (please refer to Rule 3), Market Operations users may amend or cancel GTC or GTD orders (please refer to Rule 1.1.2) which are carried forward from the previous day. However, the system does not accept new orders and no executions take place during this stage.

During Opening Auction Call, traders can submit orders. At the end of Opening Auction Call, the system temporarily closes the Order Book and starts matching the orders through an Opening Auction. The Opening Auction establishes the Opening Price and determines the orders to be executed according to the Rules for the Opening Auction period (please refer to Rule 4).

During Regular Trading new orders are continually matched to existing orders in the Order Book according to Rule 5. If an order cannot be executed it is stored in the Order Book.

If a Circuit Breaker is triggered (please refer to Rule 2.4.1), the market for that security is halted and the system enters a Re-Opening Auction Call, followed by a Re-Opening Auction. These are unscheduled sessions governed by Rule 4 on Opening Auction Call and Opening Auction.

During Market Close, a Closing Price for each instrument is computed (please refer to Rule 9). After Closing Prices are computed, they are published during the Closing Price Publication session.

The MSE will activate Closing Auction for the calculation of the Closing Price when conditions permit and upon approval of the MSE Board of Directors.

The Post Close Session is a session for the traders to update their orders in preparation for the Opening Auction Call of the next trading day (please refer to Rule 11).

The following rules are applicable to shares, warrants, units of closed-end funds/ETFs and any other security to be determined by the Board of Directors of the MSE (commonly referred to as security/securities in these Rules) which are traded in the Electronic Trading System. Preference shares, non-voting shares, warrants and units of closed-end funds and ETFs do not update the market indices.

Entering orders

Orders, once entered by the traders through the Trader trading terminals, are then transmitted on-line to the Electronic Trading System.

The trading terminal performs three functions;

- display of market data;
- display of trader's orders; and
- display of executions and acceptance of new orders; amendments and cancellation of orders.

The Electronic Trading System acknowledges the receipt of an order, marks it with a time stamp, and checks it for validity. If it is technically valid, processing continues. If not, it is returned with the appropriate comment. No checks apart from those explicitly stated in these Rules will be performed (see Rule 2.1). The Electronic Trading System maintains an Order Book for each traded security, divided into bids and asks. The prices are determined and orders executed according to specific rules detailed in the Electronic Trading System Rules.

Division of Market

The market is divided into the Regular Order Book (hereinafter 'Order Book'), Block Book and All or None (AON) Auction Book.

The MSE will activate the Block Book and All or None (AON) Auction Book when conditions permit and upon approval of the MSE Board of Directors.

Trading Session

The securities market is open from Monday to Friday except on days declared as holidays by the MSE.

The MSE will propose the Market Hours, which will be approved by the FRC. In the event of a technical problem with the Electronic Trading System the MSE may change the trading hours as necessary.

Securities trading fees at MSE will be deducted accordingly to the method described in Appendix 1.

1. Types of Transactions

There are two types of orders that can be placed in the Electronic Trading System:

- Limit Orders; and

- Market Orders.

1.1. Limit Orders

This is an order in which the maximum buying price or minimum selling price is specified.

1.2. Market Orders

A Market Order is defined as an order to buy or sell a security at the best price (or prices) prevailing in the market at that point in time.

Market Orders do not rest in the Order Book during Regular Trading sessions. If a market order submitted during this session is not fully filled, its remainder shall expire within 60 seconds. Market Orders are added to the order book during an Auction Call session.

1.3. Order Attributes

Orders can have the following attributes.

- Order Qualifiers
- Time in force
- Size and disclosed quantity

These attributes can be used by the traders to tune the execution strategy of an order.

1.1.1. Order Qualifiers

Order qualifiers modify the execution conditions of an order based on volume, time and price constraints.

1.1.1.1. No qualifiers

The Default qualifier with regard to time in force is Day, that is, the Order must be filled, if at all, within the Trading Day that the Order is initiated, and will expire at the end of such Trading Day. Orders will be executed at a specified price or better. If a partial execution occurs the remainder will be added to the Order Book and will remain in the Order Book till executed, cancelled, or expired.

1.1.1.2. Fill or Kill (FOK)

Fill or Kill (FOK) Orders require the immediate purchase or sale of a specified quantity. If the whole order cannot be filled immediately, it is killed. (These orders do not rest onto the Order Book). FOK orders cannot be entered into the system during Opening Auction Call. *The MSE will activate the FOK Orders when conditions permit and upon approval of the MSE Board of Directors.*

1.1.1.3. Immediate or Cancel (IOC)

Immediate or Cancel (IOC) Orders require the immediate purchase or sale of all or part of the order. If no immediate execution occurs the order is cancelled. If an immediate partial execution occurs the remainder is immediately cancelled. IOC orders cannot be entered into the system during Opening Auction Call.

1.1.2. Time in Force (TIF)

Time in force choices limit the lifetime of an order in the book.

1.1.2.1. Good till cancel (GTC)

The order remains valid till cancelled or for 30 calendar days.

1.1.2.1. Good till time (GTT)

The order is cancelled after the specified time on the same Trading Day.

1.1.2.2. Good till day (GTD)

The order is cancelled at the end of the specified Trading Day if unexecuted (maximum 30 calendar days).

1.1.2.3. Day order (DAY)

The order is cancelled at the end of the Trading Day.

1.1.3. Size and disclosed quantity

The order size in general will be revealed as full order size. However, in order for the traders to execute large trades without adversely impacting the price, the order can be split in parts, each revealing only a disclosed quantity. The disclosed quantity will cause the executions to occur in blocks of disclosed quantity. When a block of disclosed quantity is executed, the balance of the order loses its time priority. Disclosed quantities must be greater than a predefined percentage of the full order size, as specified in an apposite Notice. When the total quantity for an incoming order is matched to an existing order in the Order Book, the incoming order's disclosed quantity is ignored, as it will not be visible to the market at the time of execution. Orders with a specified disclosed quantity that appear in the Order Book, and hence have market visibility, will be executed in blocks of disclosed quantity in the manner specified above.

The MSE will activate this functionality when conditions permit and upon approval of the MSE Board of Directors.

2. Trading Procedure

2.1. Order Validation

Input orders are validated for correctness by the Electronic Trading System. The following validation checks will be automatically run on each order:

1. Valid size;
2. Valid symbol;
3. Trading permitted on security (not de-listed, suspended, etc.);
4. Price within a predefined Price Band (see Rule 2.4.2);
5. Valid price change (Tick Sizes¹ will be specified by the MSE in an apposite Notice);
6. Valid client ID/trader ID combination;
7. Volume within foreign ownership limits;
8. The seller holds the required number of securities.

An order that passes the validation checks is accepted for execution. Accepted orders will be associated to an order ID attributed by the MSE, which is used for all future references to the order.

If the input order fails at least one validation check, then it is automatically rejected. Until an order has been accepted by the Electronic Trading System, it is not valid.

2.2. Trading Unit

The minimum trading unit of each listed security is set to 1 share.

The MSE reserves the right to set different Lot Sizes for securities whose market price is lower than a predefined threshold, as specified by the MSE in an apposite Notice.

2.3. Order Execution

When an order is input through the trader's trading terminal, the order is forwarded to the Electronic Trading System. All input trades are executed on the Electronic Trading System.

Within the Electronic Trading System the state of the order is tracked allowing the current status to be determined and the transaction history from the initial submission to be viewed. Orders will be queued in price and time order and are available for modification or cancellation prior to execution. Orders input during Opening Auction Call will be matched accordingly to the Opening Algorithm (see Rule 4.1). Orders input during Regular Trading will be matched accordingly to a price-time priority policy (see Rule 5.1).

2.4. Price monitoring

2.4.1. Circuit Breakers

Instruments are configured with a Price Limit, defined as a percentage from two separate Reference Prices:

9. Static Reference Price: previous day's Closing Price/last Auction price (see Rule 9.1); and
10. Dynamic Reference Price: Last Traded Price.

¹ Tick Sizes are the minimum price change allowed and may be defined at instrument level.

An execution which breaches the Limit will prompt a Trading Halt (see Rule 12.2) for that instrument. A Re-Opening Auction Call begins, followed by a Re-Opening Auction which shall be carried out as provided in Rule 4.

The parameters and the period of halt will be defined by the MSE in an apposite Notice.

2.4.2. Price Bands

The MSE sets up Price Bands for the purpose of protecting orders of the participants. A Price Band on an instrument will be specified as a percentage from the Static Reference Price (see Rule 2.4.1) for the instrument. Any incoming order that varies from the Reference Price more than the specified percentage is rejected outright (see Rule 2.1).

The Price Band is defined as two prices which are equally spaced up and down from the Reference Price.

The parameters will be defined by the MSE in an apposite Notice.

3. Pre-Trading

Pre-Trading is the first session of an Order Book on a normal Trading Day. This session enables Market Operations users to, if required, perform housekeeping activities (e.g. cancel orders) prior to the Opening Auction session.

Only GTC or GTD orders (see Rule 1.1.2.1 and 1.1.2.2) which are carried forward from the previous day would be available in the Order Book during this session. Firms and Market Operations users are not able to submit new orders during this session. Firms are not allowed to cancel or amend those carried forward GTC or GTD orders either. Only Market Operations users may amend or cancel the carried forward GTC or GTD orders.

The market status (i.e. Venue state) will be displayed as ‘PRE-TRADING’.

4. Opening Auction Call

During Opening Auction Call, passive orders in the order book, if available from previous sessions, remain in the order book. Market and Limit Orders may be submitted, amended and cancelled during this session. All new orders are added to the Order Book and will be available for execution in the auction. IOC and FOK Market and Limit Orders are rejected.

At the end of the Opening Auction Call, the system temporarily closes the Order Book and starts matching orders through an Opening Auction. The Opening Auction runs a matching algorithm that calculates the Opening Price. All trades will be executed at the same price – the Opening Price.

During the Opening Auction the system executes as many trades as possible at the calculated Opening Price. Bids and asks do not have to balance in quantity for a successful Opening Auction to occur. Limit Orders at the Opening Price may remain partially filled or unexecuted due to an imbalance in the bids and asks. If the security does not trade during Opening Auction, the price of the first trade after auction will be set as Opening Price.

The last indicative uncrossing price shall be considered valid and adopted as the auction price for the conclusion of contracts if it differs from the static price by less than the maximum percentage variation established by the MSE (see Rule 2.4.1).

During Opening Auction Call, Indicative Auction Prices (IAP) are disclosed to the Traders with a frequency set by the MSE in an apposite Notice.

If the difference between the indicative uncrossing price and the static price exceeds the maximum percentage variation referred to in the previous paragraph, the Opening Auction shall be automatically extended for a period established by the MSE in an apposite Notice.

The Opening Auction can be also extended due to market order imbalance (i.e. the orders that cannot be matched at the auction price including Market Orders).

The conclusion of contracts referred to in paragraph 4 shall be the result of the automatic matching of buy orders with prices equal to or higher than the auction price with sell orders with prices equal to or lower than such price in accordance with the price and time priorities of the individual orders and until the quantities available are exhausted. Market Orders shall always have higher priority than Limit Orders.

At the end of the opening auction or of the volatility auction, Limit Orders which are partly or wholly unfilled shall be automatically transferred to continuous trading as Limit Orders and with the price and time priority of the original order². Unfilled Market Orders shall be automatically cancelled at the end of the auction.

² GTD and GTC Limit Orders which are partly or wholly unfilled shall be automatically transferred to Opening Auction phase of the following day with the price and time priority of the original order.

During Opening Auction the Venue state will be displayed as ‘AUCTION’.

4.1. Opening Algorithm

The execution price generated for an auction will be the price that:

11. maximises the executable volume;
12. if more than one execution price would result in the same executable volume, minimises the surplus volume at the execution price;
13. if more than one execution price would result in the same imbalance(surplus volume) at the execution price, reflects the balance of pressure on the Order Book;
14. if the balance of pressure on the Order Book is even, is the price closest to the Dynamic Reference Price in the security; and
15. if there is no Dynamic Reference Price, it is the highest price.

4.2. Opening Auction Example

4.2.1. Order Book

In the Electronic Trading System supply and demand is represented in the form of an Order Book. This is the compilation of all buy and sell orders on hand for a specific security at a certain point in time. In the middle of the table, all possible price increments are shown in descending order.

Table 1

Buy Orders			Price	Sell Orders		
Orders (A)	Cumulative			Cumulative		Orders (B)
	Per Price	From highest price		From lowest price	Per Price	
200+400	600	600	1,010			
300	300	900	1,005			
400	400	1,300	1,000			
500	500	1,800	995	3,800	700	700
800+100	900	2,700	990	3,100	600	200+300+100
1,000	1,000	3,700	985	2,500	600	100+200+300
			980	1,900	300	300
			975	1,600	300	100+200
			970	1,300	1,300	100+500+700

The two columns directly beside the price column are decisive. Here all the orders from the least favourable prices onwards are accumulated for both sides. On the demand side the orders with the highest purchase limits through to the lowest are added continuously. On the supply side, the accumulation starts with the lowest sell price to the highest price. In columns (A) and (B) orders are displayed in sequence of entry (from left to right) at each price level.

4.2.2. Opening Algorithm

A typical execution sequence for opening using the Rules described in 4.1. The Opening Algorithm for the example data given in Table 1 would be as follows:

16. The maximum volume price is 990 (2,700 shares) {Step 1}.
17. The Buy side has the least volume; 2,700 vs 3,100 on the Sell side {Step 2}.
18. 2,500 shares which have a better price on the Sell side than the Opening Price can be executed leaving $2,700 - 2,500 = 200$ shares to be executed at the Opening Price following Order-Book priority {Step 3}.
19. The first sell order input in the system (s200) will be executed against the surplus {Step 4}.
20. All unexecuted orders will be stored in the Order Book when the market goes into Regular Trading {Step 5}.

5. Regular Trading

5.1. Method of Transaction

The criteria for execution during Regular Trading are as follows:

1) Price Priority

The highest bid and lowest offer have precedence over all others. Orders are ranked by price sequence in the execution engine.

2) Time Priority

When bids or offers are at the same price, the earliest one takes priority over those input later. Rules for fixing prices and matching orders during Regular Trading are listed below.

5.2. Regular Trading Example

An example of a multi-stage matching process based on a new incoming order is as follows:

Table 2		
Security ABC		
Reference Price (i.e. Last Traded Price): 990.		
Buy Size	Price	Sell Size
	995	200 + 300
	990	400
200	985	
500	980	

A purchase order for 700 shares of ABC at 995 MNT is entered. Matching starts with the order to sell 400 securities at 990. The Sell Limit Order according to the first rule sets the price.

First trade: 400 shares at 990 MNT.

300 shares remain from the Buy order. They are matched against the next order – Sell 200 shares at 995. Since there are two orders at 995, they are ranked in order of entry. The 200 shares order is older. Again the first rule applies.

Second trade: 200 shares at 995 MNT.

The remaining shares are then matched to the Sell order of 300 shares at 995. Again the first rule applies.

Third trade: 100 shares at 995 MNT.

The newly arrived purchase order (700 shares at 995) is then executed. The Order Book then looks as follows:

Table 3	
Security ABC	

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Reference Price: 995			
Purchase Number Price	per	Price	Sale Number price
		995	200
	200	990	
	500	985	

6. Block Trades

Block Trades (also known as Off-book or Pre-negotiated Trades) are trades negotiated outside the Exchange and reported to the Electronic Trading System. To facilitate the processing of large blocks of securities without causing a substantial effect on price, the MSE provides special procedures for Block Trades. Block Trade orders will be maintained and executed in an Order Book (Block Book) that is separate from the Regular Order Book. *This feature is to be activated upon instructions of the MSE Board of Directors after trading reaches appropriate levels.*

6.1. Type of transactions

Block Trades, as they are already negotiated trades, must be entered with the Contra Firm ID. The Block Trade is not activated until both sides of the order with corresponding Contra Firms have been entered.

Block Trades will be entered by both parties specifying the security, price, quantity, Trade ID and Contra Firm. A buy and sell order on the Block Book shall be executed if they include the same symbol, price, quantity, Trade ID and the Contra Firm specified for one order is the firm that submitted the other order.

If the seller does not have the required number of shares the Block Trade will be automatically rejected. Only Limit Orders may be submitted for the Block Trades Order Book. Market Orders will be rejected.

6.2. Price determination mechanism

Block Trades will execute at the entered price.

6.3. Amendments

Orders in the Block Book may be amended or cancelled.

6.4. Order life time

Unfilled Block Trades will expire:

21. At the end of the Trading Day if the order is a Day Order;
22. At the specified time during the Trading Day if the order is a GTT Order;
23. At the end of the particular Trading Day if the order is a GTD Order and the expiry date of the order is the same as the Trading Day of the system.

6.5. Price constraints

A Block Trade shall not take place outside a predefined range with respect to the Last Traded Price in the Regular Order Book. The permitted price range shall be published by the MSE in an apposite Notice.

6.6. Trading unit

To be crossed the Block Trade must be of a predefined minimum size, as specified in apposite Notice issued by the MSE.

6.7. Visibility

Orders placed on the Block Book will not be visible in the normal market data displays and hence will not put price pressure on other trading. The trade will be displayed only once executed.

6.8. **Statistics**

While trades on the Block Book will contribute to the market data such as the volume and turnover of an instrument, they will not be considered for the official closing price and indices.

7. All or None (AON) Auction Book

AON Order Book is implemented to facilitate the sale or purchase of a large block of shares on an All or None basis on the trading platform. The offer follows a specific Notice issued by the MSE of the securities being auctioned and is generally kept open for a specified number of days. *This feature is to be activated upon instructions of the MSE Board of Directors after trading reaches appropriate levels.*

AON Order Book is separate from the Regular Order Book.

An order will be submitted to the AON Order Book to establish the side, quantity and minimum or maximum price for the auction. Participants may then compete to buy from or sell to the party that initiated the auction over a configurable number of days by placing orders on the contra side of the first order.

Once an AON auction is initiated, another auction (for a different side or quantity) may not be submitted for the instrument until the existing auction is concluded or terminated.

The AON auction can be executed at any price. There should be no restrictions on the price of execution (i.e. it may significantly deviate from the previous close, Last Traded Price, etc).

Only GTC Limit Orders should be accepted by the system for an AON auction.

7.1. Trading sessions

The following three trading sessions are required for the AON order book:

24. Order Entry
25. AON Auction

7.1.1. Order Entry

Order Entry session is the default session for the AON Auction Book. During this session orders are submitted.

7.1.2. AON Auction

The conduct of an AON Auction is as follows:

26. All orders for the AON Order Book should include a side, price and quantity.
27. There may be no more than two active orders in the AON Order Book (i.e. one for each side).
28. An order should first be submitted for the account that wishes to buy or sell the block quantity. The first order initiates the auction. It will determine the side and quantity being auctioned as well as the minimum/maximum price.
29. After the first order is submitted, participants may then compete for this quantity for a configurable number of days (i.e. AON Auction Duration) after which the auction will take place.
30. All subsequent orders should be for the contra side of the first order.
31. The order on the contra side of the first order may be replaced by a better priced contra order.
32. If a better priced order is submitted for the contra side, the previous order on this side will be cancelled by the system.
33. Accordingly there will be no more than two active orders in the AON order book (i.e. one for each side)

34. The first order may not be replaced as it is the order that initiated the auction.
35. The AON auction will take place on the day the AON Auction Duration is reached. If, for example, the duration is three days, the auction will take place two Trading Days after the first order is submitted (i.e. the day the first order was submitted is included in the AON Auction Duration).
- The auction will take place at the end of the Order Entry session if the Order Book contains a buy and sell order.
 - The execution price will be the limit price of the order on the contra side of the first order.
 - If the Order Book contains only the first order at this time, the first order will be cancelled.

7.2. Amendments

While an order may not be cancelled by participants, it may be cancelled by Market Operations users. Orders may not be amended by participants or Market Operations.

7.3. Price monitoring

Circuit Breakers (see Rule 2.4.1) do not apply on the AON Order Book.

Orders and trades on the AON Order Book are not considered for the Reference Price used for Price Bands (see Rule 2.4.2). The Reference Price and tolerances used for Price Bands on the Regular Order Book should not apply to the AON Order Book (i.e. price banding does not apply to this book).

7.4. Visibility

Only the best bid and offer are visible to all the traders. The execution will be reported.

7.5. Statistics

While trades on the AON Order Book will contribute to the market data such as the volume and turnover of an instrument, they will not be considered for the official closing price and indices.

8. Amendment/Cancellation of orders

Once an order is submitted to the Electronic Trading System, if required it can either be cancelled or amended by the trader if conditions permit. Although decision may change, Trading Members should not enter orders into the Electronic Trading System with the intention of deleting or otherwise amending them before execution.

8.1. Cancellation of Orders

Traders can cancel their orders at any point prior to execution. If the order is partially executed, any un-executed portion can be cancelled. Orders for AON Auction Order Book Trades are irrevocable (see Rule 7.2).

8.2. Amendment of Orders

The following fields for an order can be changed in the Order Book prior to execution, or for any unexecuted portion of an order.

- Price;
- Size;
- Contra Firm and Trade ID (for Block Trades only);
- Validity date.

An order amendment will cause an order to lose or gain priority. MSE is not responsible for any consequence caused by such amendments.

8.3. Trade Cancellation

Executed trades can be cancelled in exceptional circumstances, only if they are erroneous and with mutual agreement of both traders within the settlement period. This cancellation however can be done only by Market Operations users.

MSE can apply preventive and other administrative measures with respect to those participants erroneous action which led to a order amendment or its cancellation.

9. Market Close

When the market is closed the Venue state will display ‘CLOSE’.

9.1. Closing Price calculation

Closing Price will be defined as the Volume Weighted Average Price (VWAP) of trades executed during the last one hour of trading of the specific security or as determined by the MSE (refer to Example below). If the security does not trade for the last one hour the Closing Price will be the VWAP calculated for all the executed trades in the Trading Day (refer to Example below). After close of trading, no activity can occur until the Opening Auction Call begins on the next business day. The MSE may modify the time considered for VWAP calculation when market conditions change. The modifications will be published by the MSE in an apposite Notice.

$$\text{VWAP} = \frac{\text{total value traded in period}}{\text{total volume traded (no of shares) in period}}$$

The implementation of the Closing Auction for the calculation and dissemination of the Closing Price will be subject to the MSE approval.

10. Dissemination of Market Information

The Electronic Trading System provides the means for market participants and investors to gain access to market information on a real time basis.

The information regarding the price and volumes of executed trades for each listed security are reported through the MSE website with a 5-minute delay.

The full Order Book and the transaction history are available only through Traders' terminals.

Closing Prices are published during the session Closing Price Publication, at the end of Market Close.

11. Post Close

No executions take place during the Post Close session.

The order management features/validations that apply during this session are listed below:

- New orders cannot be submitted during this session, neither by traders nor market operations users.
- Existing orders cannot be amended by traders, but Market Operations users are allowed to amend any amendable attribute of orders.
- Existing orders can be cancelled by both traders and Market Operations users.

12. Trading Halts

12.1. Market Halts

The market can be halted at the discretion of the MSE during Regular Trading hours.

During a Market Halt, existing orders can be cancelled but not amended and no new orders can be entered.

During a Market Halt the Venue status will be displayed as ‘HALT’.

The MSE can subsequently:

- lift the halt on the market: the market will return to its Venue state prior to imposing the halt after a Re-Opening Auction Call followed by a Re-Opening Auction;
- close the market (‘HALT AND CLOSE’).

12.2. Security Halts

The MSE will impose a trading halt accordingly to Rule 2.4.1.

Moreover, the MSE may impose a trading halt for a particular security for any reason deemed appropriate.

Trading in the security will resume as soon as the announcement/clarification from the company is disseminated to the market.

A trading halt may be imposed for a time period during a market day or the halt may extend beyond one day until the company issues a statement to the MSE for dissemination.

The MSE has set Circuit Breakers for individual securities (see Rule 2.4.1.)

When the price of a security exceeds the price limits (as set by the MSE in an apposite Notice), trading in the security is automatically halted.

13. Depository updates

The Mongolian Securities Central Depository and Clearing House (MSECH&CD) will be updated on line, as executions occur. Moreover, the MSCH&CD will be queried for client position when a sell order is submitted.

If the client has sufficient securities either on his Free Balance and Pending Buy Balance, the client's balances will be deducted with the corresponding amount of securities preventing the client from placing more securities than the client owns on the market.

Open sell orders will be added to the shadow balance amount. Thus, a client's shadow balance displays the number of securities of a specified security for which the client has pending sell orders. On execution the balance and shadow balance will be updated to reflect the results of the execution.

13.1. Holding Query

Trading Members have the facility of querying their client's holding for a specified security from their trading terminals.

14. Miscellaneous

14.1. **MSE Liability**

The MSE will not hold itself liable for any loss incurred to a person due to a technical failure of the Electronic Trading System or due to a bona fide oversight in the operation of the Electronic Trading System by its servants and/or agents, except to the extent as set out by the General Conditions for Supply of Services, governing the relation between the MSE and Trading Members.

14.2. **Contingency Event**

In the event of the occurrence of a contingency in connection with a transaction not provided by these Rules, the MSE, in consultation with the FRC shall have the right to determine such matters. These decisions will be final and binding on all parties.

14.3. **Amendments to these Rules**

The MSE may, from time to time and in consultation with the FRC, amend the provisions of these Rules. Such amendments may be made with immediate effect or otherwise, as the MSE shall determine. The MSE shall notify the Trading Members in writing of such amendments.

SECURITIES TRADING FEES, CHARGES

1. Securities trading fees at MSE will be deducted depending on the each transaction volume:
 - 1.1 From equity sell side and buy side
 - 1.1.1 If transaction value is less than 100 million MNT, then trading fee 0.4 percent is deducted.
/Amended by Board resolution 02 of March 04, 2013/
 - 1.1.2 If transaction value is more than 100 million MNT but less than 1 billion MNT, then trading fee of 0.38 percent is deducted
/Amended by Board resolution 02 of March, 2013/
 - 1.1.3 If transaction value is more than 1 billion MNT but less than 10 billion MNT, then trading fee of 0.3 percent is deducted.
 - 1.1.4 If transaction value is more than 10 billion MNT but less than 30 billion MNT, then trading fee of 0.2 percent is deducted.
 - 1.1.5 If transaction value is more than 30 billion MNT then trading fee of 0.15 percent is deducted.
 - 1.2 The provision 1.1 is also applicable for primary market of equity.
2. From the sell side of government and municipal bonds traded on primary market fee of 0.12 percent of the whole transaction value is deducted, from the buy side 0.00875 percent fee is deducted.
3. No fee is applicable to the sell side of government bond and municipal bond on secondary market, fee of 0.00875 percent is applicable to the buy side.
4. From the sell side of corporate bonds on primary market 0.1575 percent fee is deducted, from the buy side 0.0175 percent fee is deducted.
5. No fee is applicable to the sell side of corporate bonds on secondary market; buy side is charged a fee of 0.0175 percent.

Fees can be charged according to an agreement made between the party and the exchange.