INDEX CALCULATION REGULATION

ONE. GENERAL

1. The purpose of this regulation is to regulate matters related to calculation of securities index (hereinafter referred to as index) of listed companies of the Mongolian Stock Exchange (hereinafter referred to as MSE).

2. The definition of the terms used in this Regulation are as follows:

   1) Index – main price indicator of the securities which composed in index calculation portfolio
   2) Market capitalization – total amount of the company's market value. It is calculated by multiplying a company's shares outstanding by the current market price of one share.
   3) Daily average trade turnover – Comparison of six months trading value of a particular security with the number of traded days during a given period
   4) Current market capitalization – current day market capitalization of registered securities that form particular index portfolio
   5) Base market value – value that uses 1995.08.28 days secondary market trade market capitalization as a base unit
   6) Base value of new market – Market capitalization of the particular day when index portfolio components were changed

3. Indices shall be calculated using electronic calculating software once a day after trading session close
4. This regulation will be amended or changed according to the decision of Board Directors of MSE.

TWO.COMPOSITION AND CRITERIA FOR INDEX PORTFOLIO COMPONENTS AND ITS TYPE

1. MSE will calculate 9 indices including main and sector based index
2. Main index types are as follows:

   1) Top-20 indices consists of leader 20 companies stocks that listed on MSE
   2) Composite indices composed of all MSE listed companies stocks
   3) Sector based index includes 7 different sectors, each sector consists of top 10 companies stocks within the particular sector, these are:
      (1) Agriculture sector - 10
      (2) Mining sector   - 10
      (3) Industrial sector   - 10
      (4) Trade and service sector – 10
      (5) Tourism sector – 10
      (6) Construction sector – 10
      (7) Transportation sector – 10

8. Index calculation basket of Top-20 and Sector indices are revised semi annually (every 6 months)
9. Market capitalization and daily average trading values are the main criteria for stocks to be included in the index basket
10. Following methods to be used in selecting securities for index basket:

    a. All listed stocks are semi-annually ranked based on their market capitalization and daily average trading value
    b. Companies are selected and ranked based on their market cap and daily average trading value again
    c. Companies with highest ranking will shall be selected as a component of the index portfolio
    d. If two companies have same ranking, one with higher market cap is selected

11. Index basket shall be renewed and re-calculated with-in 10th day of the next month from the revision
12. The securities of the index portfolio must be traded at the secondary market at least 3 month

THREE. CALCULATION METHOD

13. The index shall be calculated by following basic formula:

$$I = \frac{P}{C} * 100$$

    Where:
    I - Current day index
    P - Market capitalization of the current day
    C - Base value unit

14. Corrections or re-calculations shall be made to the base (initial) value unit when the following changes occurred for the any particular index:

    a. Revision to the index basket
    b. Changes in the share volume of the company that included in the index basket

15. The corrections shall be made from the date when the changes reported and registered in the Securities clearing house and central depository account.
16. A new base unit shall be calculated by following formula:

$$C1 = \frac{P1}{P0} * C0$$

Where:

C1 - new base unit

C0 – a base (or basic?) market capitalization of previous day

P1 – market capitalization of the select day

P0 - market capitalization of previous day

17. After the correction date new base unit must be referred as the market base unit

FOUR.OTHERS

18. Index data shall be disseminated to the public on every trading day
19. Information on index must be distributed by comparing previous day index to the current day index unit. Increase in index shall be displayed with plus (+), decrease in index shall be represented by minus (-) signs before the index unit.