

PROCEDURE FOR ACTIVITIES OF SECURITIES CLEARING

CHAPTER ONE, GENERAL OCCASION

One. General Occasion

1.1 For this regulation The Securities and Exchange Commission referred as the "Mongolian Securities Clearing House" LLC/hereafter referred to as a Clearing House will settle rights, obligations and durations between parties that the Settlement Executer Bank /referred as the SEB(ТГБ) , and Central depository organization, securities company hereinafter referred as /ҮЛК Securities company.

1.2 The same rules apply to person that is participating in the settlement and settlement agreements of securities trading with a clearing house.

1.3 This relationship shall be governed by the Securities Law and the General Regulation on the Securities Clearing and Settlement of the Financial Regulatory Commission and this Regulation.

1.4 Securities settlement shall be implemented in T + 1 mode.

1.5 According to this regulation, a new form is required to be made by the Settlement Institution in connection with the accounting of the Settlement's organization.

Two. Terms of Reference

2.1 Terminology in this regulation shall be interpreted as follows:

2.1.1 "Trade Day" means the day of trading of the trading organization;

2.1.2 "Trading" is the transaction to sell and purchase securities executed by electronic trading system of the trading organization;

2.1.3 "Settlement account" is the account registered in the name of the Settlement Company;

2.1.4 "Member of Settlement" is a legal person that satisfies the requirements and criteria of the accounting department and shall be classified as follows:

2.1.4.1. "Direct Member of the Settlement" shall be a person who is a member of a trading organization and only a regulated entity with payment obligations;

2.1.4.2. "General member of the Settlement" means a member of the Billing Committee which is responsible for the payment of the customer who has no right to settle;

2.1.7. "Emergency circumstances" means the conditions set forth in Article 87 of the Law on Securities Market;

2.1.8 "Y K-Securities Company" means a securities company licensed by the Financial Regulatory Commission to undertake regulated activities;

2.1.9. "SEB" means a commercial bank which qualifies the BOM for conducting a cash payment service.

2.1.10 "Settlement Day" means the next day of the trading day;

2.1.11 "Settle" shall mean settlement of securities and cash payments in accordance with this Regulation;

2.1.12 "Delivery versus Payment" (DVP) is the transfer the ownership rights only in case of cash payments is done;

2.1.13 "Insufficient customer" means a person who has not placed 100 percent of the securities payment on the account of a clearing house in a payment organization;

2.1.14 "Collateral" is for the purpose of preventing the risk of payment obligations that pre-deposited funds in Special account of a cash account of the settlement department and in the Securities Clearing House account in a central depository.

2.1.15. "Collateral" means the advanced money, which is the payment to be paid to the other party.

CHAPTER TWO. PARTICIPANTS WHO PARTICIPATE IN SETTLEMENT ACTIVITIES

Three. Participants who participate in settlement activities and settlement members, and their rights

3.1 Participants in the settlement process shall include the following persons;

3.1.1 Settlement institutions

3.1.2 Commercial bank or Payment bank

3.1.3 Direct Member of the Settlement

3.1.4 General Member of the Settlement

3.1.5 Central Securities Depository

3.2 Settlement Institutions

3.2.1 The settlement institution is entitled to demand collateral from a member of the affiliate in order to reduce the risk based on the deposit prudential;

3.2.2. By the Commissioner's permission, each Commission shall have the right to receive service fee from the participating parties;

3.2.4 Review the implementation of the settlement procedures and contracts;

3.2.5 The settlement institution is responsible for the safe and reliable payment of settlement.

3.2.6 The clearing house is responsible for estimating the collateral of the members of the settlement and determining the securities to be identified as collateral and their cost estimation;

3.2.7 Provide guarantees for securities trading and manage system risk;

3.2.8 Timely deliver the payment instructions on the basis of trading calculations;

3.2.9 Control of the timely payment of securities and cash payments;

3.2.10 the clearing house is responsible for reporting personal information about fee and its changes through its own website.

3.3 Settlement executer bank

3.3.1 The bank responsible for the settlement of securities trading shall comply with this regulation;

3.3.2 The executer bank is responsible for the appoint the contacting officials with Settlement Institution, to inform the Clearing House in writing every time if the change is made officials etc.;

3.3.3 The executer Bank shall perform timely payments based on the payment order from the Clearing House;

3.3.4 The executer Bank is responsible for maintaining the collateral placed by the members of the Clearing house, and shall not be entitled to dispose of without the permission of the account;

3.3.5 Provide timely information to the Clearing House accurately and without delay;

3.3.6. The executer Bank shall use the information provided by the Clearing House for the purpose of dealing with securities trading, and restrained to distribute the information to others and to use it for other purposes.

3.3.7 The executer Bank shall pay service fees in accordance with this Regulation.

3.3.8 The executer Bank is entitled to be satisfied with the trading payment information from time to time.

3.4 Direct Member of the Settlement

3.4.1. The direct member of the Settlement authority is entitled to receive securities trading settlement information on timely basis;

3.4.2. Referring to the amount of trading value, the owner has the right to demand the deposit amount from his clients;

3.4.3 Direct member of the settlement shall be obliged to deposit the pledge account in the collateralized account in accordance with 6.6 of the "General Regulation on Securities Trading Settlement" of the Financial Regulatory Commission;

3.4.4 Direct member of the settlement shall be obliged to fully implement the payment obligations of its customers;

3.4.5. Payment of the information required for the settlement shall be timely and correct to the Registrar;

3.4.6. Ineligible of collateral placed to reduce the risk of settlement of event of the Settlement;

3.5 General member of the Settlement

3.5.1 The General Member of the Settlement shall be no trading membership and have the right to execute the settlement of the respective CSCs transactions in under a contract made with a security company;

3.5.2 The settlement agency shall have the right to receive the results of the calculation accordingly.

3.5.3 Collateral is obliged to place as set forth in Article 6.6 of the "General Procedure on Securities Trading Settlement" of the Financial Regulatory Commission;

3.5.4 Disbursement of collateral for purpose of reducing the risk of settlement of bonds;

3.5.5 Responsibilities to timely provide the information to the Regulatory Authority for the information needed for the clearing operation;

3.5.6 Hardware and software should be installed for the progress of Settlement continuously and securely going.

3.5.7 General member of Settlement shall be obliged to fully implement the payment obligations of its clients;

3.6 Central Securities Depository

3.6.1 In accordance with the order of the securities payment received from the clearing house shall be obliged to execute the right of ownership in a timely manner.

3.6.2 The security of the deposit account in the special account of the securities account shall be fully accountable and shall not be entitled to dispose of the account without the permission of the dispatching body.

3.6.3 The timekeeping of the securities required for the activity shall be provided.

3.6.4 Securities procurement information is provided to the Settlement institutions day before the primary securities market.

3.6.5 Shall be obliged to participate in the trading based on the instruction on securities payment receipts received by the trustee and to perform the transfer of the Securities Transfer Certificate right upon receipt of the payment order.

CHAPTER THREE. SETTLEMENT ACTIVITIES

Four. Verify and conclude transactions

4.1 Confirm the computation results with members of the settlement within 1 hour and 20 minutes of receiving a trading transaction from the trading organization.

4.2 The Securities Company shall deliver payment schedule reports to the Clearing House within 1 hour of the transaction by the customer.

4.3 The Clearing house shall submit a schedule of payments to the accountants upon confirmation of the results of the calculation and deliver the payment order to the bank and the central depository at 15:00 pm on the trading day.

4.4. A central depository institution shall transfer the customer's sold securities to the Clearing House's account in the central depository immediately upon receipt of the securities payment order and issue a separate transaction until the security is settled.

Five. Payments

5.1 The Execution Bank shall pay a fee based on payment information received from the Clearing House in relation to the payment of securities.

5.2 The clearing house shall submit a cash payment order to the Executing Agency and a securities settlement order to the Central Depository.

5.3 General and direct members of the settlement shall pay the payment based on the payment order received by the Securities Settlement and pay before 09:45 pm.

5.4 A member of the accounting person may make a loan on the trade of the customer on the basis of an agreement with his / her client.

5.5 The Executing Bank is prohibited from making a cash withdrawal transaction from the Deposit account of the Clearing House in the Executing Agency.

5.6 The clearing house shall take the following measures to the bank that failed to comply with the Bank of Mongolia's requirements. These include:

5.6.1 Such payment shall suspend the execution of payment activities permitted by the Clearing House of Executing Bank.

5.6.2 Failure to comply with the requirements of the Bank of Mongolia Payment Shoreline the Bank shall not be exempted from the payment of Liquidated Receivables by the Clearing House;

5.6.3 The Clearing House shall make a declaration on the measures specified in Article 9.1 of this Regulation in both Mongolian and English and inform the public through the website on the website.

5.7 Notwithstanding the suspension of the foregoing, the Disbursement Bank shall continue to be obliged to perform its cash payment obligations to others.

Six. Perform cash payments

6.1 In accordance with the instruction from the Clearing House, Executing bank shall place the from the Clearing House's depository account at the time of payment to the customer's payment account.

6.2 The Clearing House will issue a payment schedule to the CSD at 9:50 am on the T + 1 day, and the payment information will be terminated and the settlement institution will be responsible for the settlement of the Client's member's savings account.

6.3 Securities buyer shall deposit at least 50% of the Securities payment to the depository account and securities buying account of the Clearing House and the Securities Company is responsible for ordering customers to meet this condition.

CHAPTER FOUR. SECURITY MANAGMENT

Seven. Account management in the Clearing House

7.1 A clearing house shall maintain an integrated settlement account (money, securities, collateral) that necessary for the settlement of securities and cash payments as a result of trading transactions.

7.2 A member of the clearing house shall open an integrated settlement account on his or her name and the accounting record should properly maintained by the Clearing House.

CHAPTER FIVE. RISK MANAGEMENT

Eight. Risk management

8.1 A clearing house directs the settlement risk by reducing the risks to participants in the settlement system and facilitating its financial sustainability through the following resources: These Includes:

8.1.1 Deposit

8.1.2 Collateral

8.1.3 Payment guarantee fund

8.2 Management of settlement risk shall be regulated by "Regulation on managing and regulating liquidity risk of members of the Settlement Organization".

Nine. Liability

9.1 In the event of the Securities Company and Executing Bank violate this Regulation; the Clearing House shall take the following measures, taking into account the violation and the other serious violations of previous violations:

9.1.1 Formal request shall be provided in writing

9.1.2 If the previous type of violation has occurred, and have ever been get written request from the Clearing House, the right to enter the Clearing House's system will be suspended.

9.1.3 The contract between the parties will be canceled.

9.2 Members of the Clearing House shall be liable to the Financial Regulatory Commission and the judicial authorities in the event of a breach of this regulation, if damages to the client or other professional organizations.

9.3 If they are suspended from the Clearing House and the Securities Company's Settlements system, they will be only required to carry out the necessary transactions to protect the rights of the clients, Securities Company and the Executing Bank.

Appendix 1

Service fee

S/N	Type of commissioning fee	Price	
1	Each transactions	500	