

Appendix of resolution number 17
by the Board of Directors of
the “Mongolian Stock Exchange”
dated December 30, 2021

MARKET MAKER OPERATING RULES OF
THE “MONGOLIAN STOCK EXCHANGE”

Market maker operating rules

1. General provision

- 1.1. The purpose of these rules is to regulate the listing of member securities companies of the "Mongolian Stock Exchange" /hereinafter referred to as the "Exchange"/ with a special license to conduct regulated activities in the securities market, as a market-maker, suspending or terminating their contract and other related procedures under Articles 47 and 70 of the "Law on Securities Markets" and the Article 8.3 of the Financial Regulatory Commission's "Securities Registration Procedure".
- 1.2. The activity of a market maker means participating in trading with their funds or with the funds of a predetermined person and meeting the demand and supply of certain securities by simultaneously issuing offers for the sale and purchase of certain securities per the conditions provided in these rules, based on the agreement made with the issuer and the Exchange.
- 1.3. Conduct market-maker activities in the secondary market trading of shares, debt instruments, investment fund units, asset-backed securities, and other financial instruments.
- 1.4. In case of ambiguity in the rules, the Exchange has the right to interpret the regulations under the applicable laws.

2. Criteria and requirements for market maker

- 2.1. A market maker shall meet the following criteria and requirements during the listing and listed period:
 - 2.1.1. Being a member of the Exchange;
 - 2.1.2. The amount of equity should be at least 1 billion MNT;
 - 2.1.3. Having a reliable internal control system, software, and rules to manage risk and conflicts of interest in market maker operations;
 - 2.1.4. Have not violated the Law on Securities Market and other related rules and regulations in the last year;
 - 2.1.5. Carried out regulated activities for at least one year, and the company and its employees have not committed major violations of relevant laws and regulations in the last 3 years;
 - 2.1.6. Payments and fees provided in the Exchange's "Membership rules" must be paid.

3. Applying to be listed as a market maker and process.

- 3.1. To improve the liquidity of securities with insufficient liquidity, the Exchange may choose a member securities company that meets the requirements provided in Section 2.1 of these rules as a market maker and enter into a Market Maker Agreement.
- 3.2. Under section 3.1 of these rules, when selecting a market maker, all members shall be informed in advance and selected fairly and transparently.
- 3.3. In addition to section 3.1 of these rules, the market maker may create a market for no more than five securities at the request of the issuer, and the application to be listed as a market maker for each security shall be submitted to the Exchange by attachment 1 of these rules and the request shall be reviewed and resolved within 5 business days.
- 3.4. The decision to register as a market maker shall be made by the Executive Director of the Exchange.
- 3.5. The Exchange shall refuse to register the applicant as a market maker in the following cases:

- 3.5.1. The criteria and requirements provided in Clause 2.1 of these rules are not met;
- 3.5.2. The documents submitted are found to be incomplete, incorrect, or false;
- 3.5.3. During the investigation of the request, a decision was made to restrict the member's right to participate in trading or suspend the right to membership;
- 3.5.4. Other grounds provided by law.
- 3.6. The Executive Director of the Exchange shall deliver the decision to refuse listing as a market maker in writing to the requesting member with an explanation.

4. Responsibilities and liabilities of Market Makers

- 4.1. The market maker has the following responsibilities:
 - 4.1.1. The minimum amount of each sale and purchase order entered into the trading system must be 1,000 units of the securities stated in the contract or equivalent to 500,000 MNT.
 - 4.1.2. The price of the buy and sell orders shall be set within the following range from the closing price of the security:
 - 4.1.2.1. Good liquidity /Classification 1 of the Exchange's list, debt instruments, ABS, other financial instruments/: 2%
 - 4.1.2.2. Medium liquidity /Classification 2 of the Exchange's list, investment fund units/: 3%
 - 4.1.2.3. Weak liquidity / Classification 3 of the Exchange's list /: 5%
 - 4.1.3. Perform market maker activities for at least 50% of regular trading hours on each trading day.
 - 4.1.4. Ensure that the amount of buy and sell orders entered into the trading system does not differ greatly.
 - 4.1.5. Orders entered into the trading system must be entered with a special symbol that can be distinguished from other ordinary orders, or the member shall participate in trading from an account specially opened in their name.
 - 4.1.6. If the market maker's activities create a conflict of interest with the client, the client shall be informed in advance.
 - 4.1.7. Documents regarding market creation shall be separated from other order documents and proper records shall be maintained and kept for at least three years.
 - 4.1.8. The Exchange shall be informed of any changes in activities regarding the criteria and requirements stipulated in Clause 2.1 of these rules within 3 business days.

5. Suspension of market maker contract

- 5.1. In the following cases the Exchange shall suspend the contract with the market maker:
 - 5.1.1. The member is restricted to participate in trading, and membership rights and licenses are suspended;
 - 5.1.2. Securities trading for market making has been suspended;
 - 5.1.3. Failed to fulfill the obligations provided in this regulation and the contract;
 - 5.1.4. The request to suspend the contract was made 14 days ago;
 - 5.1.5. Member is inspected in accordance with the "Inspection Procedures" of the Exchange.
- 5.2. The contract with the market maker shall be deemed to be suspended as soon as the conditions stipulated in Article 5, 5.1.1-5.1.5 of these rules are established.
- 5.3. In the following cases the Exchange shall terminate the contract with the market maker:

- 5.3.1. A request to terminate the market maker contract was made 30 ago;
 - 5.3.2. The market maker no longer meets the criteria and requirements stipulated in these rules;
 - 5.3.3. Repeated breach of contract.
- 5.4. In case the Exchange terminates the contract in accordance with clauses 5.3.2 and 5.3.3 of these rules, the Exchange shall inform the market maker member of its grounds.

6. Special circumstances

- 6.1. In the following cases the market maker may be exempted from the obligations stipulated in these rules.
- 6.1.1. Exchange rate volatility: If there is no index of the securities or class index, the TOP-20 index of the Exchange has fluctuated by 30% in the last month;
 - 6.1.2. In an emergency such as war, riots, insurrections, cyber-attacks, pandemics, etc.;
 - 6.1.3. Errors, malfunctions, and delays occurred in the trading system of the Exchange.
- 6.2. In the following cases, the price difference of the market maker's sell and purchase order may be increased by twice the amount stipulated in section 4.1.2 of these rules, and the minimum order amount may be reduced by twice:
- 6.2.1. If there is no index of the securities or class index if the TOP-20 index of the Exchange on that day or on the next trading day fluctuates by more than 10 percent;
 - 6.2.2. Section 6.1.1 of these rules;
 - 6.2.3. In other cases permitted by the Exchange.

7. Liability

- 7.1. The Exchange Regulatory department shall monitor the implementation of these rules and shall conduct remote and on-site inspections of the market maker's activities in accordance with the grounds and directions stipulated in the inspection rules.
- 7.2. If the market maker fails to fulfill its obligations under these rules and the contract, the following measures shall be taken.
- 7.2.1. Notice;
 - 7.2.2. Partial or full refund of discounts and exemptions provided;
 - 7.2.3. Termination of the contract;
 - 7.2.4. Restrict from trading;
 - 7.2.5. Suspension of membership;
 - 7.2.6. Termination of membership.

8. Miscellaneous

- 8.1. In the case of operating as a market maker under section 3.1 of these rules, the member's market making securities trading fee may be reduced by up to 20 percent.
- 8.2. The Exchange shall publicly inform the list of market makers and changes to it through its website.

Application form for listing as a market maker

№	Items	
1	Name of the member securities company	
2	Name and information of the contact person concerning the application	
3	Name and type of the targeted securities	
4	If a contract is made with an issuer, the name of the issuer	
5	Contract period	
6	Financial balance, attachment	
	- Financial statement	
	- Explanations and statements about the relevance of business or other relations with the issuer	
	- Confirmation issued on strict enforcement of laws and regulations	
	- Dealer information	
- Other documents proving the fulfillment of the criteria and requirements stipulated in section 2.1 of these rules		

Contract with the market maker

Year month ... date...

№

Ulaanbaatar

This agreement is signed by on behalf of the "Mongolian Stock Exchange" /hereinafter referred to as "Exchange"/,....., and on behalf of the "..... Securities company "LLC" /hereinafter referred to as the "Market Maker", collectively referred to as the "Parties"/ and the following conditions were mutually agreed upon for a period of 6 months.

One. General Provisions

- 1.1 Under this agreement, the Exchange grants permission to member securities companies that meet the criteria and requirements stipulated in the "Market Maker Operation Rules" to work as a market maker and defines the rights, obligations, and responsibilities of the parties concerning market making operations.
- 1.2 The relations between the parties not governed by this agreement shall be governed by the Law on Securities Market, the Law on Companies, other relevant laws and regulations, the Financial Regulatory Commission (hereinafter referred to as the Commission), and the regulations and instructions approved by the Exchange.
- 1.3 The contract shall be effective from the date of mutual signature by the parties and may be terminated at the initiative of either party.
- 1.4 In case of changes in the legal norms governing the relevant relations, or at the request of the parties, the contract shall be amended by mutual agreement.

Two. Rights and duties of the parties

- 2.1. The Exchange has the following rights:
 - 2.1.1. To demand market maker to fulfill their obligations under laws, regulations, contracts, and decisions issued by the Exchange;
 - 2.1.2. Disclose information about the market maker's activities to the public;
 - 2.1.3. The Exchange shall suspend the contract with the market maker in the following cases;
 - 2.1.4. If the market maker fails to fulfill its obligations under these rules and the contract, take the measures stipulated in the relevant regulations;
 - 2.1.5. The Exchange reserves the right to interpret the market maker rule.
- 2.2. The Exchange has the following duties:
 - 2.2.1. Select a member securities company that meets the requirements of the market maker rule as a market maker and enter into a contract;
 - 2.2.2. Monitor the activities of the market maker according to the contract.
- 2.3. Member has the following rights:
 - 2.3.1. In case of working as a market maker under section 3.1 of the rule, they have the right to discount up to ... percent of the securities trading fee;
 - 2.3.2. In case of circumstances stipulated in Article 6 of these rules, the member may be exempted from the duty of the market maker;

- 2.3.3. Under the conditions stipulated in these rules, the price difference of the market maker's sell and purchase order may be increased by twice the amount stipulated in section 4.1.2 of these rules, and the minimum order amount may be reduced by twice.
- 2.4. The member has the following duties:
 - 2.4.1. According to the contract, the market maker will be engaged in not less than 50% of the regular trading hours for trading orders for the sale and purchase of not more than five securities.
 - 2.4.2. If the market maker's activities create a conflict of interest with the client, the client shall be notified in advance.
 - 2.4.3. The market maker shall separate the transaction-related documents from other order documents, and keep appropriate records for at least three years.
- 2.5. The Exchange shall publicly disclose the list of market makers and changes to it through its website.
- 2.6. Neither party has the right to change the contract on its own. Parties may make amendments in writing based on mutual agreement.
- 2.7. Matters not agreed upon in this contract shall be governed by the Civil Code of Mongolia and other laws and regulations.
- 2.8. In the event of a dispute from the contract, the parties shall endeavor to resolve it on the basis of mutual agreement. If the dispute is not resolved, the matter shall be resolved in court according to the laws of Mongolia.
- 2.9. This contract shall be executed in 2 copies in Mongolian, each party shall retain one copy, and each copy shall be legally binding.

Parties:

On behalf of the Mongolian Stock Exchange

On behalf of the market-maker

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Phone:

Phone:

Fax:

Fax:

Address:

Adress: