SECURITIES MARKER IN MONGOLIA

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Financial Regulatory Commission of Mongolia
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This material is prepared under the responsibility of the presenters, all remarks represent the presenters’ own views, and not those of the FRC.
Table of Content

• Introduction of FRC
• Securities market profile;
• Challenges and issues
• Area of interest
Financial Regulatory Commission of Mongolia

Financial Regulatory Commission is a parliamentary authority mandated to regulate and supervise Mongolia’s non-bank financial market.

- Insurance market
- Securities market
- Microfinance market
  - Non-bank financial institutions
  - Savings and credit cooperatives
Financial Regulatory Commission of Mongolia

- FRC was established in 2006 in accordance with the ‘Law on Legal Status of Financial Regulatory Commission’.

- Based on statutory objectives and tasks, FRC aims to ensure stability and integrity of Mongolia’s financial markets by:
  - Regulating financial institutions;
  - Implementing and enforcing sector laws and regulations;
  - Protecting consumer and investor’s rights;
  - Promoting transparency and fair competition;
Vision & Mission

FRC’s vision is to create a diversified, sustainable and inclusive financial system where fair competition is promoted and consumer protection is secured towards fostering economic growth and development.

FRC’s mission is to develop diversified and sustainable financial markets that ensure the rights of consumers and trust in marketplace by implementing sound financial policies and regulation, and establishing effective supervision system.

Values

FRC’s vital role in regulating and shaping the financial markets requires us to work lawfully and demonstrate high ethical and professional standards in exercising our power; and for that reason we value and strive to embed/institute:

- Integrity
- Accountability
- Professionalism
- Independence
- Initiative
- Teamwork
Financial institutions under FRC regulation

As of end 2017, FRC regulates 2,179 professional entities including:

- securities firms, brokers and dealers, underwriters, investment funds;
- insurance companies and intermediaries;
- non-bank financial institutions;
- savings and credit cooperatives;

- Securities market 518
- NBFIs 534
- Insurance market 130
- SCCs 290
- Branches and representatives 707
Applying legislations

Laws of Mongolia
- Law on the Securities Market
- Law on Investment Fund
- Law on Asset-Backed Securities
- Law on Agricultural Products and Commodity Exchange
- Law on the Legal Status of the Financial Regulatory Commission
- Company Law of Mongolia
- Banking Law of Mongolia
- Law on Conducting Settlement in National Currency
- Law on Licensing

Regulations, Rules, Guidelines, and Forms
- 56 regulations
- 24 rules, guidelines, and forms

The supervision department is responsible for implementing, and enforcing laws and regulations as it shown above.
# Securities Market Profile Mongolia

License holders of regulated activities of the securities market /double count/ 

<table>
<thead>
<tr>
<th>№</th>
<th>Regulated Operations</th>
<th>Number of Participants /2017.III/</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Securities trading</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Securities settlement</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Securities central depository</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Investment management</td>
<td>14</td>
</tr>
<tr>
<td>5</td>
<td>Custodian bank</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>Investment fund /Private/</td>
<td>8</td>
</tr>
</tbody>
</table>

**Professional Participants**

<table>
<thead>
<tr>
<th>№</th>
<th>Regulated Operations</th>
<th>Number of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Broker</td>
<td>51</td>
</tr>
<tr>
<td>8</td>
<td>Dealer</td>
<td>48</td>
</tr>
<tr>
<td>9</td>
<td>Underwriter</td>
<td>22</td>
</tr>
<tr>
<td>10</td>
<td>Investment advisor</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>81</strong></td>
</tr>
<tr>
<td>11</td>
<td>Agricultural commodities trading</td>
<td>1</td>
</tr>
<tr>
<td>12</td>
<td>Agricultural commodity brokers</td>
<td>17</td>
</tr>
<tr>
<td>13</td>
<td>Audit firm</td>
<td>47</td>
</tr>
<tr>
<td>14</td>
<td>Appraisal company</td>
<td>21</td>
</tr>
<tr>
<td>15</td>
<td>Law firm</td>
<td>19</td>
</tr>
<tr>
<td>16</td>
<td>Joint stock company</td>
<td>300</td>
</tr>
</tbody>
</table>
Securities Market Profile Mongolia

- Market capitalization /billion MNT/
- Market capitalization to GDP
- Liquidity

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Capitalization (billion MNT)</th>
<th>Market Capitalization to GDP</th>
<th>Liquidity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1414.2</td>
<td>14.1%</td>
<td>1.7%</td>
</tr>
<tr>
<td>2011</td>
<td>1650.2</td>
<td>16.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>2012</td>
<td>1674.2</td>
<td>10.8%</td>
<td>6.8%</td>
</tr>
<tr>
<td>2013</td>
<td>1474.2</td>
<td>8.7%</td>
<td>3.3%</td>
</tr>
<tr>
<td>2014</td>
<td>1474.2</td>
<td>6.5%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2015</td>
<td>1474.2</td>
<td>5.5%</td>
<td>2.4%</td>
</tr>
<tr>
<td>2016</td>
<td>1474.2</td>
<td>6.2%</td>
<td>3.3%</td>
</tr>
<tr>
<td>2017</td>
<td>2440.2</td>
<td>9.0%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

Note: The figures represent the percentage change from the previous year.
In 2017, MSE’s total revenues from operating was MNT1.9 billion, and expense was MNT1.2 billion resulting MNT681.5 million net income. MIT system’s operating expense was MNT909.7 million accumulated and the total loss was MNT228.2 million.
In 2017, Government Bond’s trading value totaled MNT772.5 billion with MNT9.3 billion of the sum were traded through 3 competing bid schemes. Government Bond’s first competing bid received twice the number of instrument offered initially and as a result the coupon rate was decreased to 10.3% from 11.7% initially set.
Issues and challenges facing in the capital market

1. To make legal reform

2. To improve the capability of the FRC and collaborate on supporting the staff to participate in training, seminars, and get practical experiences.

3. Improve public knowledge and provide information about the capital market
THANK YOU FOR YOUR ATTENTION