

This English translation of the “Regulation on establishment of mutual investment fund and licensing for undertaking mutual investment fund operation” has been prepared, reflecting up to the Resolution No 175 of the Financial Regulatory Commission dated as of May 21, 2014. This translation is awaiting Financial Regulatory Commission’s reviews, and is subject to change accordingly. This is an unofficial translation. Only the original Mongolian texts of regulation have legal effect, and the translations are to be used solely as reference material to aid in the understanding of Mongolian laws and regulations.

RESOLUTION OF THE FINANCIAL REGULATORY COMMISSION

May 21, 2014

No 175

Ulaanbaatar

Approving the Regulation

According to Article 6.1.2 of Law on the Legal Status of Financial Regulatory Commission, Article 38.10, 63.1.2 of Securities Market Law, and Article 14.5, 14.8, 14.11, 18.1, 19.3 of Investment Fund Law, Financial Regulatory Commission hereby RESOLVES:

1. To approve the regulation on “Establishing Mutual Investment Fund, Licensing to undertake mutual investment fund operation” as set in the Appendix.
2. This regulation shall be followed starting from June 1, 2014
3. To repeal the regulation on “Regulating Investment Fund Activities” approved by the Resolution No 46 of 2003 of Securities Commission /former/ upon the approval of this regulation.
4. To endorse the Working Group /Kh.Bum-Erdene/ to monitor the implementation of approved regulation and to notify publicly.

CHAIRMAN

D. BAYARSAIKHAN

REGULATION ON ESTABLISHMENT OF MUTUAL INVESTMENT FUND AND LICENSING FOR UNDERTAKING MUTUAL INVESTMENT FUND OPERATION

One. General Provision

1.1. The purpose of this regulation is to regulate relations concerning establishment of mutual investment fund and granting special licence to undertake mutual investment fund operation by the Financial Regulatory Commission /hereinafter “Commission”/.

1.2. This regulation shall not apply to the relations other than specified in this regulation such as registering units of mutual investment fund and documents related to granting special licence to undertake mutual investment fund operation and establishment of mutual investment fund respectively to the Commission.

1.3. Investment management company, custodian, and other legal entity, and specialists those are included in regulated entities as specified in Securities Market Law shall register with the Commission when to establish mutual investment fund in Mongolia and relations regarding such registration shall be regulated by the separate regulation and procedures.

1.4. Relations regarding mutual investment fund and private investment fund that are registered in foreign jurisdiction are going to undertake activities in Mongolia shall be regulated by the separate regulation and procedures.

1.5. Activities related to establishment of mutual investment fund shall be based on following order as stipulated in article 14.4, 14.9 of Investment Fund Law:

1.5.1. Registering documents related to establishment of mutual investment fund with the Commission;

1.5.2. To summon meeting to establish mutual investment fund based on registration of documents relevant to establishment of mutual investment fund with the Commission, to make decision to establish the fund, to approve the fund’s charter, and to appoint competent officials respectively;

1.5.3. To register mutual investment fund in the state registration of legal entity;

1.5.4. To establish an asset entrusted management services agreement with respect to investment management services;

1.5.5. To establish an asset custody agreement with respect to custody services of mutual investment fund assets;

1.5.6. To finish preparation of prospectus of mutual investment fund units, to register the prospectus to the Commission;

1.5.7. To make public offer of prospectus of mutual investment fund units and fundraising;

1.5.8. To obtain special licence for undertaking mutual investment fund activities and commence the operation of such fund.

1.6. Establishment activities of mutual investment fund shall be undertaken only by the legal activity licensed to carry out investment management activities. /hereinafter “founder investment management company”/

1.7. It shall be deemed as mutual investment fund is established accordingly if only its special licence for undertaking mutual investment fund activities is registered in the state registration of legal entities based on all the activities specified in article 1.5 of this regulation were completed in accordance with article 14.10 of Investment Fund Law.

1.8. The right for undertaking an investment activity of the mutual investment fund shall be considered to be issued only from the day of granting special licence for undertaking investment fund operation; and the registration of the mutual investment fund with the State registration legal entities in accordance with Article 14.9.1 of Investment Fund Law and article 1.5.3 of this regulation shall not serve as a ground for such right for undertaking investment activity was granted.

1.9. As specified in the article 14.15 of Investment Fund Law, all the activities related to establishment of mutual investment fund shall be undertaken by the founder investment management company and its authorised official on behalf of the investment fund until mutual investment fund is registered with the State registration of legal entities; and the activities after the registration of such fund with State registration of legal entities shall be undertaken by the authorised official of investment fund respectively.

1.10. Minimum amount of assets of mutual investment fund raised from the public shall be at least 1 billion tugriks.

1.11. Board of directors of mutual investment fund shall have at least 5 members, and at least one third of members shall be independent.

Two. Registration of founding documents of Mutual Investment Fund

2.1. Founder investment management company may organize activities of establishment of mutual investment fund in one of the following forms:

2.1.1. Establishing the mutual investment fund solely;

2.1.2. Establishing the mutual investment fund in cooperation with other authorised investment management companies under the agreement concluded with them.

2.2. Founder investment management company may establish more than one investment funds and so that founder investment management company shall meet the conditions and requirements for establishing investment fund in each case.

2.3. Founder investment management company must complete following preparation works before it starts undertaking the activities for establishing mutual investment fund:

2.3.1. To develop draft of decision of establishing mutual investment fund, charter, set of rules and investment policy documents of the fund;

2.3.2. To choose a name of legal entity of mutual investment fund and to confirm the name;

2.3.3. To develop draft agreements and finalize them for signing such as mutual investment fund's Asset management upon trust agreement, agreement of custody services of assets and agreement of selling units of investment fund to others;

2.3.4. To conduct necessary research and survey to determine the operation and investment policy of investment fund which is to be founded, to perform the relevant calculations based on the survey results, and to develop draft policy documents of investment;

2.3.5. To prepare documents and conclusions to prove that whether such investment fund to be founded has met the criterias and requirements set forth in laws and regulations relevant to investment fund's operation, and documents to prove its ability to comply with those laws and regulations after the investment fund is established.

2.4. It shall be prohibited for founder investment management company to engage in following activities during the preparation period of establishment of mutual investment fund:

2.4.1. Make announcement of meeting for establishing mutual investment fund without registering founding documents process of mutual investment fund to the Commission;

2.4.2. To make public advertisement of mutual investment fund to be founded until the time of registering prospectus of mutual investment fund to the Commission;

2.4.3. To conclude agreement to sell or purchase units of investment fund to be founded in any form and to raise funds from public until the prospectus of mutual investment fund is registered with the Commission.

2.5. Following information shall be included in the request about registering documents related to establishing mutual investment fund with the Commission:

2.5.1. Information regarding the decision that the founder investment management company is undertaking activities in connection with establishment of mutual investment fund;

2.5.2. type of mutual investment fund planned to be founded;

2.5.3. Plan specified terms and durations of activities undertaken during the establishment of mutual investment fund that is to be founded /total duration of activities to be undertaken shall not be more than the period specified in article 19.5 of Investment Fund Law/;

2.5.4. Amount of assets of mutual investment fund and estimated amount of funds to be raised from the public /size of funds to be raised from the public shall be at least the amount specified in article 1.10 of this regulation/;

2.5.5. As of founder investment management company of mutual investment fund, informations regarding whether it makes investment to the mutual investment fund; if it makes an investment to the fund, amount of planned investment, financial capacity to make such investment, and type of investment;

2.5.6. Information on the total budget of establishment activities, total cost, resources to finance such expense, financial options, information on the capital adequacy, and plan to pay back those costs arised during the establishment activities of the fund;

2.5.7. Documents of establishment process of the fund, officials who participated in research conducting, information on whether those legal entity, and professional who provided legal and other services are appropriate entities to render such services, and detailed information of works performed by them;

2.5.8. Other information required to be delivered as defined by the Commission in accordance with article 14.7.6 of Investment Fund Law.

2.6. Following documens shall be attached to the request specified in article 2.5 of this regulation:

2.6.1. Receipt of payment of State service fee in relation to reviewing the request to register documents relevant to establishment of the mutual investment fund;

2.6.2. Copy of the special licence of undertaking investment management activities of founder investment management company, and information of other investment funds and legal entity those who provide the service;

2.6.3. Draft of documents for establishment process such as draft contract to establish the mutual investment fund, decision regarding the establishment, and draft charter;

2.6.4. Draft set of rules of mutual investment fund, draft regulation on managing assets in trust, draft regulation on risk management, draft regulation on supervisory activities, and draft regulation on liquidation activities;

2.6.5. Draft investment policy documents of mutual investment fund that is to be founded (distibution of power related to investment and loans shall be reflected);

2.6.6. Draft agreement of entrusted asset management which will be concluded with the investment management company;

2.6.7. Draft agreement of custody services of assets which will be concluded with the Custodian;

2.6.8. Notarised copy of agreement concluded among investment management companies as specified in the article 14.2 of Investment Fund Law if mutual investment fund is founded by more than one investment management companies;

2.6.9. Notarised and valid copy of charter of founder investment management company;

2.6.10. If investment management company which is going to conclude an Asset management upon trust agreement with the mutual investment fund is an another legal entity from the founder investment management company, a notarised copy of charter of such legal entity which is going to conclude an agreement;

2.6.11. Draft business plan of mutual investment fund that is to be founded, and research report of development of business plan;

2.6.12. Statement regarding custodian services shall be received from the particular bank;

2.6.13. Description regarding the members of board of directors of founder investment management company and its officials undertaking establishment operation are fit and proper entity; detailed information of qualification, skills and work experience of them;

2.6.14. At least two specialist shall carry out activities of establishment of mutual investment fund from the investment management company and description on whether those specialists are fit and proper entity and their skills and experience;

2.6.15. Detailed description on whether the proposed entity which is to be appointed as a member of board of directors of mutual investment fund is fit and proper entity and description of their skills and experience;

2.6.16. Other information defined by the Commission.

2.7. Draft documents specified in article 2.6 of this regulation shall be final version that is ready to be approved and satisfied all the preparations to conclude an agreement accordingly.

2.8. Commission is fully authorised to demand other documents and information it deemed as necessary from requester and be introduced with its operation when reviewing the request as specified in article 2.5, 2.6 of this regulation.

2.9. Commission shall make its decision whether to register founding documents of mutual investment fund within 30 days after received the request, and this period shall be counted from the day that all necessary documents are submitted.

2.10. Commission shall notify the requester in writing about the decision specified in article 2.9 of this regulation.

2.11. Commission shall notify the requester about the decision in either case of Commission decided to register documents of establishing or decision that it refused to register such documents.

2.12. If Commission refuses to register documents for establishing mutual investment fund in accordance with 2.11 of this regulation, it shall terminate the operation of establishment of investment fund.

2.13. If investment management company requested in writing, Commission may provide explanations on the refusal to register the founding documents of mutual investment fund to the applicants.

2.14. Commission registering the founding documents of mutual investment fund shall not be regarded as Commission provides guarantee on content of such documents, mutual investment fund which will be founded in such content, investment management company which will undertake fund activities, its officials and management respectively and Commission shall not be responsible for any risks, loss, and damage associated with them.

2.15. Regardless of Commission registered the founding documents of mutual investment fund, investor, any citizen to be cooperated with, or legal entity shall make their investment decision independently and be responsible for any consequences arising from such decision made by themselves.

Three. Establishment of Mutual Investment Fund

3.1. Activities specified in article 1.5.2-1.5.6 of this regulation shall be undertaken within [one month] after founding documents of mutual investment fund is registered with the Commission and request to register prospectus of units of mutual investment fund with the Commission shall be submitted.

3.2. If founder investment management company did not submit request to register prospectus of units with Commission within the specified period in article 3.1 of this regulation, founding operation of such mutual investment fund shall be terminated.

3.3. Founder investment management company of mutual investment fund shall summon meeting to establish mutual investment fund after founding documents are registered with the Commission.

3.4. Activities related to summon meeting to establish mutual investment fund shall be organized according to Company Law.

3.5. In case of more than one investment management companies are establishing the mutual investment fund, founders agreement shall be concluded among them.

3.6. In addition to making decision to establish mutual investment fund, approving the charter of the fund, selecting members of boards of directors shall be decided respectively by the founding meeting of mutual investment fund and decisions to conclude agreements specified in article 5,6 of this regulation shall be finalized.

3.7. Amount of capital to be invested to the investment fund by founder investment management company shall be defined by the founding meeting of mutual investment fund and units shall be registered in ownership of investment management company based on the contibuted capital is deposited in the designated account.

3.8. Except as provided in the article 3.7 of this regulation, it shall be prohibited to raise funds from the public for mutual investment fund, selling units of funds to others, founder investment management companyto sell or transfer units in its ownership to others before registering prospectus of units of mutual investment fund to the Commission.

3.9. Selling price per unit of fund that will be sold to the founder investment management company as specified in article 3.7 of this regulation shall not be less than the unit price for public offering.

3.10. Mutual investment fund shall be registered in the State registration of legal entity based on the decision of establishment of mutual investment fund specified in article 3.6 and approval of fund's charter; application for State registration of legal entity shall be submitted by the founder investment management company or any other entity which is appointed by the founding meeting of such fund.

3.11. Name of the mutual investment fund consists of its proper name as stated in the article 15.1 of Investment Fund Law, and detailed description as "mutual investment fund" or abbreviation "Mutual IF" respectively.

3.12. Proper name of mutual investment fund shall be met the following requirements:

3.12.1.be consistent with mutual investment business activities;

3.12.2. to not contradict with the contents of information provided in the prospectus, and investment policy of mutual investmetnt fund;

3.12.3. Investing in mutual investment fund shall not ground a misunderstanding to unit holders, a citizen who is about to hold units in future and legal entity for unreasonable, false, misleading ideaconcerning such investment would be riskless for investors or would bring excessive or unrealistic return to them;

3.12.4. not be duplicated with the name of other investment fund in Mongolia or in abroad;

3.12.5. not to contradict with the generally accepted moral standards;

3.13. After registering mutual investment fund to the State registration of legal entity, prospectus of units of mutual investment fund shall be developed as final and delivered by the Chairman of board of directors of such mutual investment fund to be registered with Commission based on approval of unitholders's meeting.

Four. Charter, Investment Policy Documents of Mutual Investment Fund

4.1. Followings shall be included in the charter of investment fund in accordance with article 16.1 of Investment Fund Law and article 16 of Company Law:

4.1.1. full and abbreviated name of mutual investment fund, and an acronym indicating the company's form of organization;

4.1.2. the quantity, class, nominal price of the company's authorized and issued units and the amount of capital invested pertaining to each unit holder;

4.1.3. trading procedures of any type of units and restrictions to be applied to issue certain type of units;

4.1.4. number of members of board of directors of mutual investment fund;

4.1.5. power defined by law, their compliance-related regulations, and restrictions of rights of unitholders' meeting and board of directors of mutual investment fund as the supreme authority of the fund;

4.1.6. internal supervisory structure and operation procedures of mutual investment fund;

4.1.7. Business operation of mutual investment fund, information regarding mutual investment fund is entitled to undertake only investment purpose activities, information regarding investment objectives such as investment risk diversification, types of assets to be invested, and detailed information on restrictions of investment, loan and securities loan, if there is no such restrictions, grounds and reasons for that;

4.1.8. types and forms of mutual investment fund;

4.1.9. name of investment management company and residence address;

4.1.10. name of legal entity which will provide custodian service. State registration of legal entity, residence address;

4.1.11. operation term of an investment fund;

4.1.12. size of total funds to be raised to the mutual investment fund;

4.1.13. income of mutual investment fund, its distribution procedures;

4.1.14. liquidation and its procedures when operation term of mutual investment fund expires and distribution of fund assets to the investors is completed;

4.1.15.type and amount of expenses of mutual investment fund and its disposable procedures;

4.1.16. unit holder of mutual investment fund shall not be responsible for any debts, liabilities to others of such fund by its own assets;

4.1.17. unit holder shall not be liable for any payment obligations after it paid of its own units payment;

4.1.18. obligations and responsibilities of competent official of mutual investment fund;

4.1.19.to suspend mutual investment fund activities, and grounds for liquidation, in that case, methodology to define rights of unit holders and to assess the investment fund value;

4.1.20. regulation to make amendment to the charter of mutual investment fund;

4.1.21. other.

4.2. It shall be prohibited to reflect provisions in the charter of mutual investment fund such as exempting chairman and members of board of directors of mutual investment fund, fund manager and unit holders from their legal obligations and if such provision was reflected, those shall be ineffective.

4.3. In investment policy document of mutual investment fund, a provision specified in article 17.1 of Investment fund law shall be necessarily reflected.

Five. Concluding an Agreement for Asset Management upon Trust

5.1. Terms of agreement of asset management upon trust shall be the same with operation terms of fund as stated in charter of investment fund in accordance with article 47 of Investment Fund Law.

5.2. Asset management upon trust agreement shall be met the conditions and requirements stated in article 6 of “Regulation on special licence of undertaking investment management activities and operation” adopted by the appendix of resolution 08, 2014 of Commission.

5.3. In asset management upon trust agreement, obligations specified in article 47.2 of Investment Fund Law shall be reflected while provisions with content of reducing or exempting from responsibility of legal obligations shall not be reflected.

5.4. As stipulated in article 46.8 of Investment Fund Law , founder Investment management company shall be restricted to state any clause such as it shall not be responsible for any loss and damages caused due to its violations of contractual obligations of asset management upon trust agreement, in the asset management upon trust agreement. In case of such clause is stated in the agreement, it shall be ineffective.

Six. Concluding an Agreement on Asset Custody

6.1. Terms of Agreement on asset custody which will be concluded with the Custodian with respect to custody of assets of mutual investment fund shall be same with operation terms of fund stated in charter of mutual investment fund.

6.2. Agreement on asset custody shall be met the requirements and conditions set forth in article 5 of “Regulation on Licensing and operation of Custodian” adopted by resolution no .. , 2014 of Commission.

6.3. Provision stated in article 50 of Investment Fund Law must necessarily be reflected in the Agreement on asset custody.

6.4. As specified in article 50.2 of Investment Fund Law, it shall be restricted to include any provision in the Agreement on Asset Custody with the content of decreasing or releasing from obligations and responsibilities of the Custodian under the laws and fund’s charter; in case of such provisions were included in the agreement, those shall be invalid.

Seven. Registering the Prospectus of Mutual Investment Fund

7.1. As stipulated in the article 19.11 of Investment Fund Law, following information shall be included in the prospectus of units of mutual investment fund:

7.1.1. Proper name of mutual investment fund, residential mailing address, investment operation and its registration on stock exchange;

7.1.2. State registration of legal entity of mutual investment fund which issued units, registration numbers, and date of registration;

7.1.3. Proper name of legal entity which is influential unit holder of mutual investment fund and its state registration number.

7.1.3. Quantity and share of units owned as solely or jointly with related entity;

7.1.4. Organization structure of mutual investment fund which issued units, information of its authorised officials, and information on quantities of units in their ownership;

7.1.5. Agreements with obligations with a value equal to five or more than five percent of contributed capital of unit issuer and implementation of such agreement;

7.1.6. Information of related entity of securities issuer mutual investment fund;

7.1.7 Quantities of publicly issued units, their types, nominal price, procedures and terms of public offering, trading of units, and procedures on distribution of dividend;

7.1.8. Rights and obligations testified by units that are publicly offered;

7.1.9. Potential risks cooperation of securities issuer mutual investment fund; risk management plan

7.1.10. Information about regulated entities other than those specified in article 7.1.14, 7.1.15 of this regulation who participated in the activities of public offering of units, other entities provide professional services; information on rights and obligations under the agreement concluded with those entities;

7.1.11. charter of investment fund;

7.1.12. investment policy documents;

7.1.13. terms of operation of investment fund;

7.1.14. Information regarding founder investment management company of investment fund, copy of agreement for investment management services concluded with such company, contractual rights and obligations, responsibilities, calculation of promotion and cost of services, and information about manager who carries out asset management activities upon trust;

7.1.15. Information about legal entity which provides custodian services, copy of agreement of asset custody concluded with Custodian, rights and obligations under such contract, calculation of service fee;

7.1.16. calculation of other expenses relevant to undertaking investment fund activities;

7.1.17. measures to be taken in the event of insolvency and losses of mutual investment fund and operations procedures;

7.1.18. information which will be provided to unit holders, financial and operational report, procedures on distributing reports to unit holders, and other regulations on protecting unit holders' interest;

7.1.19. other information defined by the Commission.

7.2. Following documents shall be attached to the prospectus of units of mutual investment fund:

7.2.1. notarised copy of certification by State registration of legal entities of mutual investment fund;

7.2.2. certified or notarised copy of documents registered with the Commission in the forms specified in article 2.5, 2.6 of this regulation;

7.2.2. detailed information of amendment made to the documents registered with the Commission in the forms specified in 2.5, 2.6 of this regulation and explanations, grounds for such amendments;

7.2.3. detailed description on whether the authorised officials, specialist of mutual investment fund as stipulated in article 2.5, 2.6 of this regulation are changed, whether they are fit and proper entities, and description of their expertise and experiences;

7.2.4. list of citizens and legal entities that participated to develop the prospectuses of units, and research, survey, reports prepared by them.

7.3. Commission shall make decision on whether to register prospectus of units of mutual investment fund [within 15 working days] after received the request. This period shall be counted from the day that all necessary documents are completed.

7.4. Commission shall make decision on whether to register prospectus of units based on legislations of Securities Market Law and Investment Fund Law.

7.5. Prospectus of units shall be offered to the public once Commission registered the prospectus of units of mutual investment fund.

7.6. In case of Commission refused to register prospectus of units of mutual investment fund, it shall be prohibited to offer such prospectus to the public, and organize fundraising from public based on prospectus.

7.7. In case of Commission refused to register prospectuses of units of mutual investment fund, founder investment management company shall conduct liquidation activities of such mutual investment fund [within one month] after the decision on refusal has made.

7.8. Commission may demand necessary documents, information from the applicant, or citizen, legal entity which provided services and concluded contract with the fund to provide service to the fund; if necessary Commission may conduct inspection when reviewing the application.

Eight. Offering the Prospectus of Mutual Investment Fund to the Public, Fundraising

8.1. Fundraising activities of mutual investment fund shall be implemented based on prospectus of units of the fund; regulation on introducing prospectus of units of mutual investment fund and fundraising shall be applied accordingly.

8.2. As stated in article 19.2 of Investment Fund Law, Investment management company which found mutual investment fund may provide asset management service to the same fund and in that case it shall locate assets to be invested to the fund in separate account.

8.3. When implementing activities of introducing units of mutual investment fund to the public, it is important to ensure options for interested entities to be introduced with prospectus of units for free.

8.4. Commission is entitled to conduct inspection during the activities of introducing prospectus of units to the public, and in case of any situation that might adversely affect to investors' interests, or giving incomplete, false, misleading promise to them, Commission may suspend the operation of public offering of prospectus and may take measures to revoke the registration of prospectus of units.

8.5. As stated in article 19.4 of Investment Fund Law, trading of units of mutual investment fund on primary market shall be organized by registering with the legal entity authorised to undertake securities trading. In that case, activities of public offering of prospectuses of units shall be conducted in accordance with rules and regulations of securities trading organization.

8.6. As specified in article 19.5 of Investment Fund Law, Public offering of the prospectuses of mutual investment fund units shall be conducted up to 6 months since registration of the prospectuses by the Commission and in case of failure to raise funds stated in the charter of an investment fund, the fund establishment operation shall be terminated and special licences to undertake investment fund operation should not be granted.

8.7. Selling activities of units of mutual investment fund in the primary market shall be conducted only in the terms of payment for units is executed in cash; if fundraising activities are undertaken in the following forms, it shall not be considered as fundraising for the purpose of establishing mutual investment fund:

8.7.1. non-investment purposes or raised fund in the terms of depositary or current account;

8.7.2. to place the assets in the account for public use or raised funds in the condition of investors other than mutual investment fund are entitled to dispose the assets;

8.7.3. raised funds by issuing securities other than units such as bonds, promissory notes and options;

8.7.4. raised funds in other forms from selling units.

8.8. Selling units of investment fund in the primary market on credit or selling with terms of after payment or it shall be prohibited to transfer units to others for free and shall be traded only in the terms of transferring units upon receipt of payment.

8.9. Mutual investment fund shall stop the operation of trading units in the primary market before the time expires specified in article 8.6 of this regulation, and shall release report on trading units in the primary market [within 3 working days] and present it to the investors and Commission respectively.

8.10. If mutual investment fund raised assets in specified amount in fund's charter, it shall submit its request to the Commission concurrently about to undertake investment fund activities when it releases the report specified in article 8.9 of this regulation.

8.11. Based on the review of report on trading units of mutual investment fund in the primary market, Commission may issue decision on whether trading activities undertaken successfully and such decision shall be issued together with the decision to grant special licence for undertaking mutual investment fund.

8.12. If Commission refused to grant special licence for undertaking mutual investment fund, this shall serve as a ground to refuse to make decision as trading of units of the fund in the primary market was successful.

8.13. If Commission deemed as trading of units in the primary market conducted as successfully, it may start the trading of units of same mutual investment fund in the secondary market.

8.14. As specified in article 8.11 of this regulation, if Commission deemed as trading of units of mutual investment fund in the primary market as successfully conducted, Commission shall not recall the trading activities of such units.

8.15. If necessary fund was not raised from public in the amount specified in article 19.6 of Investment fund law, founder investment management company shall notify about the Commission regarding this. Commission shall issue decision on terminating activities of establishment of mutual investment fund upon the receipt of such notice and the fund shall organize activities such as refunding assets [within 15 working days] accumulated in its account to the investors, excluding it from registration, and organizing liquidation activities accordingly.

8.16. Payment for units of mutual investment fund shall be placed in the separate account from account of investment fund and investment management company which provides services to the fund. A disposal right over the assets placed in the investment fund account or payments made for purchasing units of fund shall not be incurred to the fund and investment management company until the Commission grants the special licence to undertake mutual investment fund activities as stipulated in article 19.8 of Investment Fund Law.

Nine. Granting, Suspending, Recovering and Revoking the Special Licence for Undertaking Mutual Investment Fund Activities

9.1. Mutual investment fund shall attach following documents in addition to those specified in article 27.2 of Securities Market Law to the application for special licence for undertaking investment fund activities as specified in article 8.10 of this regulation:

9.1.1. reference from Custodian on agreement of custody of assets which is deposited in the amount specified in mutual investment fund's charter was concluded;

9.1.2. documents to demonstrate the preparation works were completed to start mutual investment fund operation as specified in article 2 of this regulation;

9.1.3. other.

9.2. Commission shall make its decision whether to grant special licence for undertaking mutual investment fund activities [within 10 working days] since receipt of application.

9.3. Commission shall grant special licence for undertaking mutual investment fund activities based on compliance of following conditions and requirements:

9.3.1. Since mutual investment fund activities are regulated activities in the securities market, fund shall comply with requirements specified in article 28.1 of Securities Market Law;

9.3.2. Asset specified in the charter of mutual investment fund is fully deposited in the designated account;

9.3.3. Whether the investment management company which provides services to the mutual investment fund, custodian, legal entity undertakes securities market regulated activities, and specialists are meeting the conditions and requirements of fit and proper entity and requirements to undertake such operation;

9.3.4. no other grounds such as affecting adversely to the investors' interest that will cause to refuse to grant special licence for undertaking mutual investment fund activities;

9.4. As specified in article 19.9 of Investment Fund Law, Investment fund activity shall begin from the day of granting of special permits to undertake mutual investment fund operation by the Commission and from that day asset management power shall be considered to be issued for the investment management company.

9.5. Valid period of special licence to be granted to mutual investment fund for undertaking investment fund activities shall be same as the operation terms stated in fund's charter.

9.6. following requirements shall be met to undertake mutual investment fund operation:

9.6.1. To undertake its activities under legislations such as Securities Market Law, Investment Fund Law, and other rules, regulations approved by Commission and other authorised government organizations and officials;

9.6.2. to meet requirements of fit and proper entity;

9.6.3. to undertake operation within the scope of activities specified in investment policy documents, charter, and prospectus of units;

9.6.4. to put investors' interest in prior;

9.6.5. to comply with professional, and capital, technical requirements and other.

9.7. related registration shall be completed with State registration of legal entities within 5 working days after the special licence for undertaking mutual investment fund is granted.

9.8. in case of circumstances specified in article 29.1 of Securities Market Law is occurred, Commission may suspend special licence for undertaking mutual investment fund activities.

9.9. In case of following circumstances occurred, management of mutual investment fund or investment management company which is providing the asset management upon trust services shall suspend the mutual investment fund operation on their own initiative, and shall

take measures to protect unit holders interest and shall notify the Commission regarding this in each case:

9.9.1. competent official of management of mutual investment fund, investment management company which provides services to the fund and custodian are no longer fit and proper entities;

9.9.2. circumstances to liquidate mutual investment fund has arisen;

9.9.3. necessary circumstances are arisen to convene the unit holders meeting;

9.9.4. circumstances specified in article 29.1 of Securities Market Law has arisen.

9.10. grounds and reasons that are subject to suspension of mutual investment fund operation were rectified and if Commission deemed as possible to recover the fund's operation, special licence shall be recovered, in that case, valid period of such special licence will not be changed or expired.

9.11. Commission may revoke special licence of undertaking mutual investment fund operation based on following grounds:

9.11.1. circumstances stated in article 38.6 of Securities Market Law were arisen;

9.11.2. circumstances stated in article 19.13 of Investment Fund Law were arisen;

9.11.3. undertook prohibited activities as stipulated in article 38.6 of Securities Market Law;

9.11.4. other grounds under legislations.

9.12. revoking special licence for undertaking mutual investment fund activities shall serve as a ground to liquidate such fund and in that case, investment management company or board of directors of the fund, or chief executive officer shall summon special meeting of unit holders [within 15 working days] and shall organize liquidation activities of the fund.

9.13. Commission shall notify the public through its website with respect to decisions on granting, suspending, recovering, and revoking the special licence for undertaking mutual investment fund activities respectively.

Ten. Others

10.1. Commission is fully authorised to monitor founding activities of the fund, to give order to the citizen, legal entity which are participating in the founding activities of investment fund, and to ensure the implementation.

10.2. It shall be prohibited for those are founder investment management company of mutual investment fund, its competent officials, and any citizen, legal entity participating in the operation, to obstruct in any form to the monitoring conducted by the Commission.

10.3. Commission may implement the activities related to giving order in accordance with article 56 of Investment Fund Law.

10.4. an entity to carry out founding activities of mutual investment fund is obliged to provide information to the Commission on process of founding activities and its performance and Commission may direct on type, content and scope of information in every case.

10.5. after founding documents are registered with the Commission, if founding activities of mutual investment fund is suspended, revoked or requested to expire the duration period of founding operation within the term specified in law and this regulation, founder investment management company of such mutual investment fund shall notify the Commission regarding these matters within 5 working days in each case. In the application, grounds of decision on suspension, revocation of founding activities shall be included respectively.

10.6. Prohibited activities and arrangements specified in article 14.6, 44.5 of Investment Fund Law, article 38.6, 38.7, 38.8, 40.4 of Securities Market Law and other regulations issued by the Commission shall equally apply to the founder investment management company of mutual investment fund, and its competent officials.

10.7. Commission may impose administrative sanctions to the citizen, or legal entity participating in the founding operation of mutual investment fund in accordance with article 57 of Investment Fund Law.

10.8. Investment management company shall be responsible by its own equity for any intentional or negligent damage caused to others when undertaking founding activities of mutual investment fund and any losses caused due to violations of investment policy of mutual investment fund by the investment management company.

10.9. This regulation is not retroactive and shall be effective from the date specified in the Resolution of the Commission which adopted this regulation.

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