

**MEMORANDUM OF UNDERSTANDING**

**BETWEEN**

**THE HONG KONG SECURITIES AND FUTURES COMMISSION**

**AND**

**THE FINANCIAL REGULATORY COMMISSION OF MONGOLIA**

## 1. INTRODUCTION

The Securities and Futures Commission in Hong Kong (“SFC”) and the Financial Regulatory Commission of Mongolia (“FRC”) (individually “Authority” and collectively the “Authorities”), recognizing the increasing activities between the financial markets and financial services sectors of Hong Kong and Mongolia and the corresponding need to establish and foster cooperation between the Authorities responsible for regulating their respective financial markets and services for the protection of investors and preservation of market integrity, have reached the following understanding.

## 2. FUNCTIONS OF EACH AUTHORITY

### (a) The Hong Kong Securities and Futures Commission

Under section 5 of the Securities and Futures Ordinance (“SFO”), the SFC is the statutory body to regulate and promote the efficiency of the securities and futures markets in Hong Kong. The SFC is responsible for, inter alia, the administration and enforcement of the SFO and the Companies Ordinance so far as those provisions relating to prospectuses, the purchase by a corporation of its own shares and a corporation giving financial assistance for the acquisition of its own shares. Pursuant to section 186 and section 378(3)(g)(i) of the SFO, the SFC may provide investigatory assistance to foreign regulators and may pass information to foreign regulators respectively.

### (b) The Financial Regulatory Commission of Mongolia

The FRC is a statutory body set up under the Law on Legal Status of the Financial Regulatory Commission (the “FRC Law”). According to Article 4 of the FRC Law, the FRC has to ensure the stability of the financial markets of Mongolia, regulate the financial services, monitor the implementation of the relevant legislation and protect the rights of investors of the financial markets.

## 3. GENERAL PRINCIPLES

- (a) This Memorandum of Understanding sets forth a statement of intent of the Authorities to establish a framework for mutual assistance and to facilitate the exchange of information between the Authorities to enforce or secure compliance with the laws and regulatory requirements of their respective jurisdictions.
- (b) This Memorandum of Understanding does not create any legally enforceable rights nor impose any legally binding obligations. The Memorandum of Understanding does not modify or supersede any laws or regulatory requirements in force in, or applying to, Hong Kong or Mongolia. The Memorandum of Understanding does not affect any arrangements under other memoranda to which either Authority may be a party.

- (c) The Authorities recognize the need for and desirability of providing mutual assistance and the exchange of information to assist each other in securing compliance with their respective laws or regulatory requirements. A request for assistance may be denied, however, by the requested Authority :
- (i) where the request would require the requested Authority to act in a manner that would violate its laws;
  - (ii) where the request is not made in accordance with the provisions of the Memorandum of Understanding; or
  - (iii) on the grounds of public interest.
- (d) The provisions in this Memorandum of Understanding are subject to and should be interpreted in a manner that is consistent with the International Organization of Securities Commissions' Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (**IOSCO MMOU**). If there is any inconsistency between the provisions of this Memorandum of Understanding and those of IOSCO MMOU, the provisions of IOSCO MMOU shall prevail.

#### 4. SCOPE OF ASSISTANCE

Through the machinery set up by this Memorandum of Understanding, the Authorities hereby agree to promote mutual assistance and the exchange of information so that the Authorities may effectively perform their respective duties according to the laws. Under the foregoing theme, the scope of the Memorandum of Understanding will include the following:

- (a) supervising and monitoring the securities markets, their clearing and settlement activities, ensuring compliance with relevant laws and regulatory requirements;
- (b) enforcement of the laws and regulatory requirements relating to dealing in, arranging deals in, managing and advising on securities and other investment products;
- (c) promoting and securing the fitness and properness of dealers, investment advisers and other financial market practitioners, promoting high standards of fair trading and integrity in their conduct of business;
- (d) enforcement of the laws and regulatory requirements relating to insider dealing, market manipulation and other fraudulent practices in relation to listed companies, securities and other investment products;

- (e) ensuring compliance by issuers of and offerors for securities, and directors, officers, shareholders and professional advisers of all companies listed, or applying for listing, on the securities markets of either Hong Kong or Mongolia, with any duties under any relevant laws and regulatory requirements and any obligation to make full, accurate and immediate disclosure of information relevant to investors;
- (f) enforcement of the laws and regulatory requirements relating to takeovers and mergers and share repurchases;
- (g) the disclosure of interests in the securities of listed companies;
- (h) breaches of companies legislation; and
- (i) any other matters as agreed upon by the Authorities from time to time.

## **5. REQUESTS FOR ASSISTANCE**

- (a) Requests for assistance will be made in writing in English and addressed to the requested Authority's principal point of contact listed in Appendix A.
- (b) Requests for assistance will specify the following:
  - (i) a general description of the information sought by the requesting Authority;
  - (ii) the purpose for which the information is sought;
  - (iii) a general description of the nature of the case and the conduct or suspected conduct which gives rise to the request, including what laws or regulatory requirements are alleged to have been breached;
  - (iv) the link between the specified laws or regulatory requirements and the regulatory function of the requesting Authority;
  - (v) the relevance of the requested information to the specified laws or regulatory requirements;
  - (vi) in the case of the obtaining of voluntary testimony or statements from a person, whether it is likely that criminal proceedings will be brought against that person; and
  - (vii) the desired time period for the reply.

- (c) In urgent cases, a request for assistance may be effected by summary procedures or other means mutually agreed upon by the Authorities, provided that all such communications are confirmed in the manner prescribed by paragraphs 5(a) and 5(b) of the Memorandum of Understanding.
- (d) Assistance available pursuant to the Memorandum of Understanding includes but is not limited to:
  - (i) providing access to information in the files of the requested Authority;
  - (ii) taking voluntary testimony and statements of persons; and
  - (iii) obtaining information and documents from persons.
- (e) "Person" under the Memorandum of Understanding means a natural person or legal person, or unincorporated entity or association, including corporations and partnerships.

#### **6. EXECUTION OF REQUESTS FOR ASSISTANCE**

- (a) Each request will be assessed by the requested Authority to determine whether information can be provided under the terms of the Memorandum of Understanding. In any case where the request cannot be accepted completely, the requested Authority will consider whether part of the information or assistance requested may be provided or whether there may be any other relevant assistance or information which might be provided.
- (b) The requested Authority may, as a condition of agreeing that assistance is given under the Memorandum of Understanding, require the requesting Authority to make a contribution to costs. Such a contribution may, in particular, be required where the cost of a request is substantial or where a substantial imbalance has arisen in the cumulative costs incurred.
- (c) Any documents or other materials provided under the Memorandum of Understanding and any copies thereof must be returned on request, to the extent permitted by law.

## 7. UNSOLICITED INFORMATION

Where one Authority has information which will assist the other Authority in the performance of its regulatory functions, including any relevant information that is discovered which gives rise to a suspicion of a breach, or anticipated breach, of the laws or regulatory requirements of the other Authority, the former may provide such information, or arrange such information to be provided, to the extent permitted by law, on a voluntary basis even though no request has been made by the other Authority. The terms and conditions of the Memorandum of Understanding will apply if the providing Authority specifies that the information is passed under the Memorandum of Understanding.

## 8. CONFIDENTIALITY AND USE OF INFORMATION

- (a) The requesting Authority may use the information and documents furnished in response to a request for assistance under the Memorandum of Understanding solely for:
  - (i) the purpose set forth in the request for assistance, including ensuring compliance with the laws and regulatory requirements related to the request; and
  - (ii) a purpose within the general framework of the use stated in the request for assistance, including conducting a civil or administrative enforcement proceeding, assisting in a criminal prosecution, or conducting any investigation. The use may include enforcement proceedings which are public.
- (b) If a requesting Authority intends to use information furnished under the Memorandum of Understanding for any purpose other than those stated in Paragraph 8(a), it must obtain the consent of the requested Authority.
- (c) Each Authority will keep confidential requests made under the Memorandum of Understanding, the contents of such request, and any matters arising under the Memorandum of Understanding, including consultations between the Authorities, and unsolicited assistance. After consulting with the requesting Authority, the requested Authority may disclose the fact the requesting Authority has made the request if such disclosure is required to carry out the request.
- (d) The requested Authority will require the person from whom information is sought not to disclose to any person the fact the request has been made by the requesting Authority under the Memorandum of Understanding and the content of the request without the prior written consent of the requested Authority. The requested Authority will not grant the consent without first obtaining the prior written agreement of the requesting Authority.

- (e) The requesting Authority will not disclose information and documents received under the Memorandum of Understanding, except as contemplated by paragraph 8(a) or in response to a legally enforceable demand. In the event of a legally enforceable demand, the requesting Authority will notify the requested Authority prior to complying with the demand, and will assert such appropriate legal exemptions or privileges with respect to such information as may be available. The requesting Authority will use its best efforts to protect the confidentiality of the documents and information received under the Memorandum of Understanding.

## **9. CONSULTATIONS**

- (a) The Authorities will consult in the event of any uncertainty over the meaning of any terms used in the Memorandum of Understanding.
- (b) The Authorities may consult informally, at any time, about a request or proposed request.
- (c) The Authorities may consult and revise the terms of the Memorandum of Understanding in the event of a substantial change in laws, regulations, rules, practices, conditions or any other matter affecting its operation.
- (d) The Authorities may agree on such practical measures as may be necessary to facilitate the implementation of the Memorandum of Understanding.

## **10. CONTACT PERSONS**

All communications between the Authorities should be between the principal points of contact as set out in Appendix A unless otherwise agreed. Appendix A may be amended by the relevant Authority upon written notice to the other Authority.

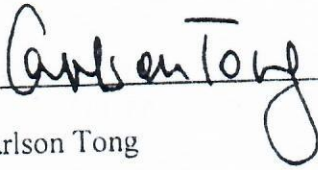
## **11. TERMINATION**

Cooperation in accordance with the Memorandum of Understanding will continue until the expiration of 30 days after any Authority gives written notice to the other Authority of its intention to discontinue the cooperation. If any Authority gives such notice, cooperation in accordance with the Memorandum of Understanding will continue with respect to all requests for assistance that were made to such Authority before the effective date of notification until the requesting Authority terminates the matter for which the assistance was requested.

**12. ENTRY INTO EFFECT**

This Memorandum of Understanding will come into operation on 1 January 2014.

Signed this 11 day of October 2013 in Ulaanbaatar, Mongolia.



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Mr Carlson Tong  
Chairman  
Securities and Futures Commission



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Mr Dashdondov Bayarsaikhan  
Chairman  
Financial Regulatory Commission of Mongolia

## APPENDIX A

### LIST OF CONTACT PERSONS

#### **The Hong Kong Securities and Futures Commission**

Ms Christine Kung  
Senior Director, International and China  
The Securities and Futures Commission  
35/F, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

Tel: (852) 2231 1280  
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Mr Jimmy Chan  
Director, Enforcement  
The Securities and Futures Commission  
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#### **The Financial Regulatory Commission of Mongolia**

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