

MONGOLIAN STOCK EXCHANGE

Foreign Investor's Guide

A Complete Guide to Investing in Mongolian Capital Market

Regulations · Account Opening · Tax Treatment · Settlement

www.mse.mn

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1. Introduction

The Mongolian Stock Exchange (MSE) is Mongolia's sole licensed securities exchange, established in 1991 to support the country's transition to a market economy. Today it lists equities, government and corporate bonds, asset-backed securities, investment fund units, and other financial instruments, and operates under the oversight of the Financial Regulatory Commission (FRC).

This guide is intended for foreign institutional and individual investors considering exposure to Mongolian securities. It summarizes the regulatory framework, the account-opening process, the tax treatment applicable to non-resident investors, and the settlement mechanics for trades executed on the MSE. It is a general overview only — see the disclaimer on the final page.

Mongolian capital markets

- Mongolia's Foreign Investment Law and Company Law establish no general discrimination between foreign and domestic investors in accessing the securities market.
- The exchange trades on modern order-matching infrastructure and has expanded product coverage in recent years, including exchange-traded funds and a Market Making Program designed to improve on-screen liquidity.
- Mongolia has been included in the FTSE Frontier Index Series since September 2023, extending the market's visibility to global frontier-market allocators.

2. Regulatory Framework

Mongolia's capital market is a three-tier structure: the Financial Regulatory Commission (FRC) as the primary regulator of non-bank financial markets; the MSE as the licensed trading venue and self-regulatory organization; and the Mongolian Securities Clearing House & Central Depository (MSCH&CD), which registers ownership and clears and settles trades.

Key legislation

- Securities Market Law of Mongolia — governs issuance, listing, trading, disclosure, and licensing of market participants.
- Company Law of Mongolia — governs the corporate form of listed issuers, shareholder rights, and corporate actions.
- Foreign Investment Law of Mongolia — sets the general treatment of foreign capital, including the principle of non-discrimination between foreign and domestic investors.
- Law on Combating Money Laundering and Terrorism Financing (2006, as amended) — sets the KYC/AML obligations that brokers and clearing banks must apply to all clients, foreign and domestic.
- FRC regulations and orders — implementing rules on listing, trading, settlement, market making and other operational matters, updated periodically by FRC order (e.g., the Market Maker Activity Procedure approved under FRC Order No. 385).

Regulatory texts are amended periodically. Always confirm the current rule against the FRC (frc.mn) and MSE (mse.mn) websites before relying on a specific provision; the current, binding versions supersede any summary in this guide.

Regulator and market bodies

Institution	Role
Financial Regulatory Commission (FRC)	Licenses and supervises brokers, investment managers, and market infrastructure; approves market rules.
Mongolian Stock Exchange (MSE)	Operates the trading venue; sets listing and trading rules within the FRC framework.
MSCH&CD (Central Depository)	Maintains the securities ownership register; clears and settles trades.
Bank of Mongolia (Mongol Bank)	Central bank; regulates the clearing-bank system and, separately, operates the CSD/money-market/FX infrastructure used for government securities.

3. Opening an Account

Foreign investors — individuals and legal entities alike — follow the same account-opening framework as domestic investors. Three separate accounts are required before an investor can trade on the MSE. Physical presence in Mongolia is not legally required for most steps; a notarized power of attorney allows a broker or authorized representative to act on the investor's behalf, though individual brokers and banks may set their own additional requirements.

The three-account structure

Account	Opened at	Purpose
1. Central Depository account	MSCH&CD (via your broker)	Records legal ownership of securities. Opened by the broker submitting a Client Account Opening Agreement to the MSCH&CD on the investor's behalf.
2. Brokerage account	A FRC-licensed securities firm	Used to place buy/sell orders on the MSE. Only firms currently compliant with FRC/MSE rules may execute trades — the current list is published on mse.mn.
3. Clearing bank account	A licensed clearing bank (special escrow account)	Holds cash for trade settlement and receipt of dividends/coupons. Must be opened with the same bank your broker uses as its clearing bank.

Documentation checklist

Individuals

- Passport or national ID (notarized copy if not applying in person in Mongolia).
- Completed Client Account Opening Agreement (MSCH&CD) and the broker's own KYC form.
- Proof of address and contact details.
- Power of attorney, if a representative signs on the investor's behalf (notarized, and apostilled or legalized at a Mongolian diplomatic mission if executed abroad).

Legal entities

- Notarized copy of the certificate of incorporation / state registration.
- Entity Account Opening Agreement (MSCH&CD) and the broker's KYC/due-diligence form.
- Board or shareholders' resolution naming the authorized signatory(ies) and their powers.
- Specimen signatures and a notarized passport/ID copy of each authorized representative.
- Ultimate beneficial ownership information, consistent with AML law requirements.

Foreign-executed documents generally need notarization and either an apostille (for Hague Convention member states) or legalization at a Mongolian embassy/consulate. Confirm current document lists directly with the chosen broker and clearing bank, as firms may apply additional internal requirements.

Typical timeline

Account opening across all three legs commonly takes on the order of one to three weeks from submission of a complete document set, though this varies by broker, bank, and whether documents require apostille/legalization from abroad.

4. Tax Treatment

Mongolia taxes non-resident (foreign) investors on Mongolian-source income under the Corporate Income Tax Law (for entities) and the Personal Income Tax Law (for individuals), generally through withholding at source. Rates below are domestic-law defaults; Mongolia's double tax treaties (DTTs) with a number of jurisdictions can reduce the applicable rate for treaty-eligible investors.

Withholding tax rates on Mongolian-source income (non-residents)

Income type	Standard WHT rate	Reduced rate
Dividends	20%	5% on dividends from shares of a local (non-mining/oil) entity traded on local and international markets; further reduction possible under an applicable DTT.
Interest (incl. listed bonds)	20%	5% on interest from listed debt instruments of a local (non-mining/oil) entity; 5% on bank-bond interest; DTT relief may apply.
Capital gains on sale of shares/securities	20% flat on Mongolian-source gains	Treaty relief possible depending on the specific DTT's capital gains article; treatment can also depend on investor type and structure.

These are general domestic-law positions summarized from public tax guidance current as of mid-2026 (PwC Tax Summaries, KPMG, Moore Global). Tax treatment depends on the investor's residency, entity type, treaty eligibility, and the specific security held. This is not tax advice — investors should confirm their position with a licensed Mongolian tax advisor and, where relevant, the Mongolian Tax Authority before investing.

Mechanics of withholding

- Tax is withheld at source by the paying entity (issuer, broker, or clearing bank acting as paying agent) and remitted to the Mongolian tax authority, generally within 10 working days of payment.

- Withholding tax statements are filed quarterly (within 20 days of quarter-end) and an annual statement is due by 10 February of the following year.
- Double tax treaty relief is not automatic — investors typically need to provide a certificate of tax residency and complete any required treaty-relief documentation to the withholding agent in advance of payment.

Double tax treaties

Mongolia maintains double tax treaties with a number of countries that can reduce withholding rates on dividends, interest, and in some cases capital gains. Coverage and rates vary by treaty partner and by the size of shareholding (many treaties apply a lower rate — commonly around 5–10% — only where the recipient is a company holding a minimum stake, often 10% or more, with a higher rate otherwise). Investors should check whether their country of tax residence has a treaty in force with Mongolia and review its specific terms.

5. Trading and Settlement

Trading

The MSE operates an electronic, order-driven continuous trading market. Orders are placed through a licensed broker; foreign investors trade through the same order book and price-discovery mechanism as domestic investors, with no separate foreign board or quota in the general equity market.

Clearing and settlement

Trades executed on the MSE are cleared and settled through the MSCH&CD. Mongolia's market has moved over time from a pre-funded settlement model toward shorter settlement cycles, and individual licensed brokers have introduced same-day (T+0) settlement capability on their own platforms in recent years.

Confirm the settlement cycle currently in force (T+0, T+1, or T+2 depending on instrument and broker) against the MSCH&CD's current Settlement Rules and your broker's own execution terms before publishing this guide — settlement infrastructure has been actively evolving and this section should reflect the exact current rule at time of publication.

Clearing banks

Cash settlement flows through a special-purpose (escrow) account held at one of the licensed clearing banks, which must match the clearing bank used by the investor's broker. As of the most recent published list, Mongol Bank recognizes the following as clearing banks:

- Golomt Bank
- Khan Bank
- Trade & Development Bank (TDB)
- XacBank

Dividends and corporate actions

Cash dividends, coupon payments, and other cash entitlements are credited to the investor's clearing bank (escrow) account, net of any withholding tax due, following the same account structure used for trade settlement.

Repatriation of funds

Mongolia does not apply a general capital-account restriction specific to foreign portfolio investment in listed securities; funds are moved through the investor's clearing bank account in the ordinary course of banking. Investors should confirm current foreign-exchange and reporting requirements with their clearing bank, as day-to-day banking procedures (e.g., FX conversion, transfer documentation) are set by individual commercial banks under Bank of Mongolia rules.

6. Practical Notes for Foreign Investors

- No general legal distinction is drawn between foreign and domestic investors in accessing MSE-listed securities — the same three-account structure, broker relationship, and trading rules apply.
- A power of attorney allows account opening and ongoing instructions to be handled without the investor traveling to Mongolia, subject to notarization/apostille requirements for documents executed abroad.
- The list of brokers currently compliant with FRC/MSE trading rules is published and updated on mse.mn — always trade through a firm on the current list.
- Sector-specific restrictions can apply outside the general securities market — for example, entities holding mineral resource, oil exploration, or mining licenses are treated differently for the reduced dividend/interest withholding rate described in Section 4, and strategic-sector foreign investment can trigger separate review under the Foreign Investment Law.
- Engage a licensed Mongolian tax advisor and legal counsel for transaction-specific advice; this guide is a general orientation, not a substitute for professional advice.

7. Useful Contacts and Resources

Resource	Website
Mongolian Stock Exchange (MSE)	www.mse.mn
Financial Regulatory Commission (FRC)	www.frc.mn
Bank of Mongolia (Mongol Bank)	www.mongolbank.mn
Invest Mongolia (Investment & Trade Agency)	www.investmongolia.gov.mn

Disclaimer

This guide has been prepared by the Mongolian Stock Exchange for general informational purposes only. While reasonable efforts have been made to ensure accuracy at the time of publication, regulations, tax rates, settlement cycles, and lists of licensed intermediaries change periodically and this document may not reflect the most current position. It does not constitute legal, tax, or investment advice, and must not be relied upon as a substitute for advice from a licensed professional. The Exchange accepts no liability for actions taken on the basis of this document. Always confirm current rules directly with the FRC, MSE, MSCH&CD, and a licensed Mongolian tax and legal advisor before making an investment decision.

Draft prepared for MSE Product Development review — settlement-cycle specifics (Section 5) and the DTT country list (Section 4) are flagged for confirmation against current internal records before external publication.