



### CLIENT PROFILE

*ResCap Securities LLC*

*ResCap merged with Mongolian Investment Banking Group LLC (MIBG) in January 2014*

### LINE OF BUSINESS

Securities Trading

### FOUNDED

January 1991

### IMPLEMENTED SOLUTION

NRI Financial Solutions

### TIMELINE

July 2012 to June 2013

### OVERVIEW

Established in 1991, the Mongolian Stock Exchange (MSE) entered a period of rapid growth beginning in 2006, when it was the world’s smallest stock exchange by market capitalization valued at roughly \$83 million USD. By 2008 its market capitalization had increased to \$406 million, which quadrupled to \$2 billion by 2011. In 2010 the exchange was the world’s best performing stock market, growing 121 percent over the previous year. This continued through 2011 as it grew 57.8 percent, ranking second-best in the world. By March 2012, the MSE had 332 listed companies and market capitalization of \$2.3 billion.

Resulting from the exchange’s rapid growth, in conjunction with advances in trading infrastructure and global capital markets IT sophistication, the MSE realized that it needed to modernize the financial and trading infrastructure of its exchange as well as the Mongolian market broadly. Beginning in 2013, this initiative was spearheaded by a partnership of three essential firms: Nomura Research Institute, Omnesys Technologies (a Thomson Reuters Company), and Global Investment Initiative (GII), a Mongolian IT solutions provider. This partnership resulted in the successful implementation of a modern trading infrastructure covering the full trade life cycle for Mongolian broker/dealers, fully customized to meet the specific challenges of the Mongolian capital market and scalable to adapt to the continued evolution of the operational and regulatory landscape.



**Khangai Altai**  
CEO of the Mongolian Stock Exchange\*

*“As we continue modernizing the Mongolian capital market and improving its standards by adopting international best practices we are delighted to see global capital market solution provider Nomura Research Institute bring its advanced solutions to the market for broker-dealers as well as custodians,”*

### MODERNIZING CAPITAL MARKETS IN A FOREIGN LAND

An initial assessment of the challenges faced in this implementation revealed not only the expected technological hurdles in modernizing an entire region’s trading infrastructure, but significant language and cultural obstacles as well. Upgrading the MSE meant it was necessary to modernize and integrate all market participants – including the Mongolian Security Clearing



\*All titles and positions are reflective of the company structure at the time this case study was developed



# CASE STUDY

*Modernizing the Mongolian Stock Exchange and Market*



## **NRI FINANCIAL SOLUTIONS**

NRI Financial Solutions is an application suite designed to meet today's operational needs of the global financial services community including broker-dealers, asset managers, custodians, distributors, fund administrators and transfer agents. Solutions address several key operational challenges, including a seamless, cross-border system for a firm with multiple global locations and post execution management solution designed for broker dealers.

House and Central Depository and the broker/dealer community – with MillenniumIT software. Additionally, the newly installed front-to-back office systems needed to be scalable to support the region's continued projected growth. Mongolian brokerages' trading, clearing and settlement capabilities were outdated and specific needs such as internet trading capabilities and automation best practices including non-manual processing of cash withdrawals and account opening procedures were the largest issues needing to be addressed.

Before this project could begin, however, the partners needed to effectively communicate the project needs to an unfamiliar language and culture. The Mongolian market participants had varying levels of IT knowledge and a limited appreciation for certain aspects of the implementation, such as straight-through processing (STP) – which would be crucial to reduce systemic and operation risk while meeting the future demands of online trading

## **THE POWER OF PARTNERSHIPS**

The strongest partnerships are those where each group contributes a unique skill to the table that is essential for the success of the project, and the MSE's overhaul was no different. While NRI provided the NRI Financial Solutions suite for the broker back office, including modules for trade processing, settlement management, position keeping and corporate actions



*"We were extremely honored to be partnered with such distinctive organizations to drive the development of the capital markets industry in Mongolia and the emerging markets," commented Toru Watanabe, President and CEO, NRI Financial Technologies India. "By working together, we created a wealth of high-skill employment opportunities and continue to build a strong relationship among Mongolia, India and Japan."*

**Toru Watanabe**  
*President and CEO, NRI Financial Technologies India*

processing, and Omnesys' solution brought in the front office with order management, risk management and web-based trading for end clients, GII provided the hosting infrastructure and proved to be vital in delivering the local expertise to overcome the language and culture barriers. By engaging with a local partner that understood the current IT infrastructure and needs of the Mongolian capital market community, the group was able to effectively communicate the requirements for implementation of the project – a crucial step to modernizing the Mongolian marketplace in a short timeframe.



For more information, visit: [fis.nri.co.jp/en](http://fis.nri.co.jp/en)



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## POST-INSTALLATION BENEFITS

The successful partnership between NRI, Omnesys and GII enabled the building and modernization of the financial and trading infrastructure for the Mongolian market in a short timeframe. The solution was customized to specifically meet Mongolian capital market requirements including the processing of charges for fees, taxes and commissions, all required reporting requirements and risk management procedures. The solution was modularized with ready-made business components to accelerate time-to-market as the market moves up the chain of sophistication, and as it scales transaction volumes.

*“It was necessary for us to find a solution that could comprehensively support our brokerage business,” said Enkhbayar Davaatseren, Head of ResCap Securities. “This unique venture between these three market-leading experts helped us achieve operational efficiencies. We are seeking to improve our business and assist the entire region in moving the local financial marketplace to a new position in the global field.”*

**Specifically, implementing NRI Financial Solutions suite via SaaS offered the following benefits:**

- Real time integration of back office with front office system for account registration, trade capture and risk management
- Real-time interfacing with clearing banks for transactions, balances, recovery of commissions and withdrawal requests from clients
- Interfacing with the clearing house & central securities depository (CSD) for capturing trade obligation and holdings
- Reconciliation of trade obligation, security and cash balance
- Automatic registration of account based on the account opened with the CSD
- Generation of regulatory reports for submission to the Mongolian FRC



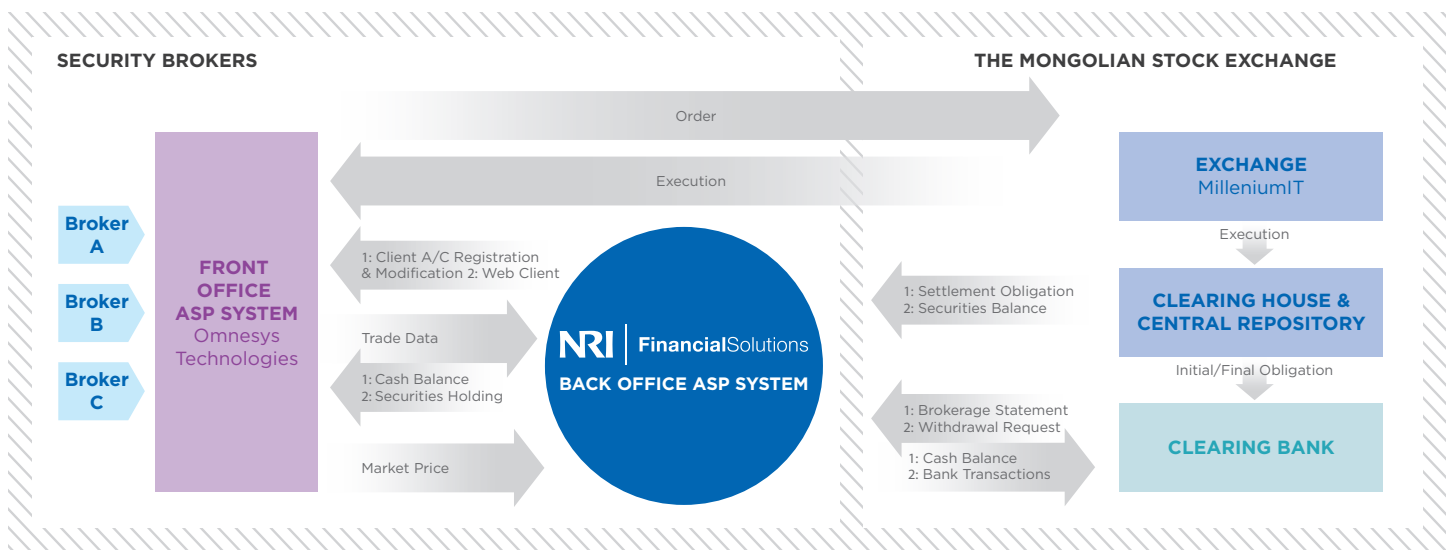
# CASE STUDY

*Modernizing the Mongolian Stock Exchange and Market*

For brokers and other market participants, the upgrade allowed them to focus on their core business competencies by offering standardized and sophisticated pay-per-use software deployed in an ASP (Cloud) mode. The NRI Financial Solution suite enabled a high degree of STP automation in real time to current and future broker operations,

while enabling exception-based manual interventions as necessary. Additionally, market participants are now able to generate all required regulatory reports, and any new regulatory reports can be quickly and cost-effectively implemented on the shared platform.

## OPERATING MODEL FOR THE MONGOLIAN MARKET



= LOCAL IT INFRASTRUCTURE PROVIDER  
Global Investment Initiative