

NATIONAL STRATEGY FOR ANTI-MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM

One. General

Money laundering and terrorism financing are a nuisance to the world, which is negatively affecting the economic security of countries and becoming an obstacle to ensure the sustainable economic development, to reduce poverty, and to establish equality in society. Sources of money laundering crimes are mainly financial flows derived from illegal activities such as human trafficking, narcotic drugs sales, illegal arms trafficking, corruption, bribery, smuggling, environmental crimes, tax evasion, etc. In other words, the financial sector is being used as a tool for conversion and transfer of money obtained from illegal sources, and for rapid transport of financing of terrorism from one region to another. In recent years, criminals have been using the developing countries and countries with weak financial system as a transit center for money laundering and terrorism financing and it is increasing Mongolian financial sector's risk of exposure to this type of crimes.

The Law on Combating Money Laundering and Terrorism Financing (AML/CFT Law) was approved by the Parliament of Mongolia on July 8, 2006. The Asia/Pacific Group on Money Laundering (APG), a regional body of the Financial Action Task Force (FATF), periodically evaluates the anti-money laundering and combating terrorism financing (AML/CFT) system of its member countries; the APG evaluated Mongolia's AML/CFT system for the first time in 2006.

The revised version of AML/CFT Law drafted in compliance with the FATF Recommendations was approved by the Parliament of Mongolia on May 31, 2013. However, Mongolia was identified by FATF as a "high risk and non-cooperative country," which is the "grey list", on the basis that some other laws and regulations were still not complied with the FATF's Recommendations. The FATF then removed Mongolia from the "grey list" in June 2014, after the Plenary session of the Mongolian Parliament passed the Criminal Law and Criminal Procedure Law in compliance with the FATF's Recommendations on January 16, 2014.

The APG conducted the second-round assessment and Mutual evaluation on Mongolia's AML/CFT system on November 4, 2016, gave recommendations on action plan over the next 15 months until October 2018, and assigned Mongolia to report on the developments of the action plan.

Moreover, since the adoption of the revised AML/CFT Law, international organizations such as International Monetary Fund (IMF) and Asian Development Bank (ADB) through their technical assistances have been recommending Mongolia to have its legal framework of combating money laundering and financing of terrorism complied with the FATF's

Recommendations in conjunction with the current situation and the changes that have been occurring in the global AML/CFT system.

The FATF Recommendations are an international standard legal basis of an AML/CFT framework for a country. They also create the basis for a favorable environment for a country who implements these recommendations to cooperate with other countries in the financial sector.

Therefore, there is a need to adopt a National Strategy Anti-Money Laundering and Countering Terrorism Financing in order to fully implement the FATF Recommendations and strengthen the AML/CFT capacity.

Two. The purpose and objectives of the Strategy

2.1. The purpose of this strategy is to ensure the safety and security of the national economic system maintaining the stability of the financial system by establishing and developing a system that meets the international AML/CFT standards.

2.2. To accomplish the purpose of the strategy, the following objectives will be implemented:

2.2.1. Improve the effectiveness of co-ordination and cooperation of agencies with functions of preventing and combating money laundering and terrorism financing;

2.2.2. Develop national money laundering and terrorism financing crime risk assessment methodology and conduct the risk assessment;

2.2.3. Improve public awareness on money laundering and terrorism financing and take effective measures to prevent financial and non-financial professional service providers from exposure to the crime;

2.2.4. Improve the legal framework to combat money laundering and terrorism financing in compliance with the FATF Recommendations;

2.2.5. Increase the scope of supervision of ML/TF activities;

2.2.6. Increase the capacity of competent authorities in investigating and detecting ML/TF offenses, freezing and seizing proceeds and assets derived from crimes;

2.2.7. Improve the governance of businesses and legal entities and increase their transparency;

2.2.8. Organize training for prosecutors and judges to effectively prosecute and convict money laundering and terrorism financing offences;

2.2.9. Improve legal framework of international cooperation in combating money laundering and terrorism financing;

2.2.10. Strengthen the AML/CFT capacity of competent organizations and regularly provide the officials with trainings and seminars.

Three. Activities to be implemented within the framework of the Strategy

3.1. The following activities will be implemented within the scope of the first objective of the Strategy:

3.1.1. Ensure that the Cooperation Council is responsible for providing the AML/CFT functioned organizations with the comprehensive administration and coordination;

3.1.2. Intensify cooperation between the Cooperation Council and the National Counter Terrorism Coordinating Council (NCTCC);

3.1.3. Reflect AML/CFT measures in relevant sectors' policies and operations and ensure to implement them;

3.1.4. Improve national AML/CFT capacity by strengthening cooperation and coordination of relevant regional and international organizations.

3.2. The following activities will be implemented within the scope of the second objective of the Strategy:

3.2.1. Develop a national ML/TF crime risk assessment methodology;

3.2.2. Conduct ML/TF risk assessment by sectors;

3.2.3. Organize prevention and mitigation measures based on the risk assessment of each sector;

3.2.4. Raise awareness among the financial institutions, non-financial businesses and professional service providers of the risks of money laundering and terrorist financing;

3.2.5. Conduct a comprehensive risk assessment of terrorism financing and proliferation financing;

3.2.6. Establish a database for relevant organizations to estimate the level of risk for each sector and periodically update the risk assessments.

3.3. The following activities will be implemented within the scope of the third objective of the Strategy:

3.3.1. Organize regular meetings and discussions with government officials and other high-level officials to raise awareness on the possible risks of failure to take immediate measures to combat money laundering and terrorism financing;

3.3.2. Develop and implement ML/TF awareness raising and learning curriculum that follows international standards for officers of supervisory bodies, investigative and executive organizations, courts and prosecutor's offices;

3.3.3. Regularly raise awareness and educate the target sectors through the media;

3.3.4. Increase the number of trainings and seminars in combating financial crimes for court, prosecutor, police agency, customs, tax authority and financial institutions and evaluate the training programs;

3.3.5. Improve the understanding and knowledge of supervisory authorities on ML/TF risks of reporting entities and support and assist to mitigate the risks;

3.3.6. Establish a system where the Financial Regulatory Commission and the Financial Information Unit jointly to monitor ML/TF high-risk sectors;

3.3.7. Issue specific guidelines and instructions for each sector for identifying and reducing the ML/TF risks;

3.3.8. Provide a guideline on identifying and reporting suspicious transactions for reporting entities;

3.4. The following activities will be implemented within the scope of the fourth objective of the Strategy:

3.4.1. Conduct research on improving the legal framework of AML/CFT;

3.4.2. Extend the penalty range that is applicable to those who fail to comply with the AML/CFT laws and regulations;

3.4.3. Establish legal framework to ensure the transparency of registration and licensing of legal entities, non-governmental organizations and other non-financial professional service providers in relation to the prevention of money laundering and terrorism financing;

3.4.4. Create legal framework, conforming to international standards, for implementing the measures to investigate ML/TF and PF related crimes, to detect, deter, seal, seize, confiscate, recover and manage assets that are connected with those crimes;

3.4.5. Create legal framework to implement financial and operational sanctions related to ML/TF and PF;

3.4.6. Monitor unlicensed money transfers and electronic financial transactions, cross-border transportation of currency and bearer negotiable instruments; create legal framework to bring the trade of highly valued items including precious metals and real estate into the official market;

3.4.7. Amend the AML/CFT Law to include non-financial professional service providers such as precious metal and jewelry dealers and accountants as reporting entities;

3.4.8. Improve the legal framework ensuring the implementation of AML/CFT and PF related international treaties, that Mongolia is a member of.

3.5. The following activities will be implemented within the scope of fifth objective of the Strategy:

3.5.1. Improve the AML/CFT supervision framework;

3.5.2. Strengthen the supervisory capacity of the Financial Regulatory Commission;

3.5.3. Improve supervision of financial activities of individuals and legal entities operating without proper licenses and registration, and regulate these types of activities;

3.5.4. Convert and implement a risk based approach to AML/CFT supervision for reporting entities;

3.5.5. Take effective sanctions and measures for violations and shortcomings detected in the activities of reporting entities;

3.5.6. Conduct supervision to detect unlicensed money transfer operators and take appropriate sanctions accordingly;

3.5.7. Improve quality of supervision by strengthening the capacity of supervisory authorities and their respective officials;

3.5.8. Develop and implement effective measures in compliance with the international standards to carry out customer due diligence, to report suspicious transaction information, to protect records and information, to manage risks, to monitor accounts, and to take other AML/CFT preventive measures.

3.6. The following activities will be implemented within the scope of the sixth objective of the Strategy:

3.6.1. Take necessary actions to ensure the operational independence of the Financial Information Unit;

3.6.2. Improve the methodology/guidelines of analyzing the information submitted by reporting entities;

3.6.3. Strengthen the capacity of staff of the Financial Information Unit by regular training and capacity building programs;

3.6.4. Improve the collaboration of AML/CFT stakeholders and establish a system of mutual information exchange;

3.6.5. Establish a system where results of FIU's analysis are assisted in investigations of the ML/TF and associated predicate offences;

3.6.6. Conduct regular evaluations of the regulations and guidelines related to AML/CFT reporting entities follow; if necessary, make amendments and revisions accordingly;

3.6.7. Provide information and training to relevant government agencies and reporting entities on the implementation of AML/CFT measures;

3.6.8. Increase the staff resource and capacity of organizations that combat money laundering and financing of terrorism and investigate this type of crimes;

3.6.9. Organize training regularly in the seizure and confiscating assets connected to money laundering crimes for police, intelligence agency, prosecutor and court officers;

3.6.10. Improve inter-agency cooperation in the seizure, confiscation and recovery of assets related to transnational crimes;

3.6.11. Clarify the monitoring system of cross-border transportation of currency, bearer negotiable instruments, precious metal and jewelry;

3.6.12. Improve border control over the investigation, detection, temporary restriction and confiscation of illegal cross-border transportation; and simplify the exchange of information of relevant organizations;

3.6.13. Adopt and enforce regulations and guidelines conforming to international standards for investigation of money laundering and terrorist financing offenses.

3.7. The following activities will be implemented within the scope of the seventh objective of the Strategy:

3.7.1. Conduct a risk assessment of legal entities' exposure to ML/TF offenses and develop guidelines and recommendations on preventive measures;

3.7.2. Make amendments to the relevant laws in order to obtain and register information on beneficial ownership of legal entities in the state registration system;

- 3.7.3. Create a comprehensive system/database of legal entities' registry;
- 3.7.4. Establish a common understanding of what type of organizations belong to the FATF's definition of a non-profit organization;
- 3.7.5. Evaluate the TF risk of non-governmental organizations' and the risk of non-governmental organizations becoming a victim of TF offenses and take precautionary/preventive measures;
- 3.7.6. Identify non-governmental organizations that may be involved in terrorism financing using all available sources of information and develop further actions;
- 3.7.7. Regularly conduct supervision on non-governmental organizations;
- 3.7.8. Upgrade/Improve the rules and regulations related to the legal entities' governance implementation in order to prevent money laundering and terrorism financing offenses;
- 3.7.9. Support the system of non-governmental organizations use of registered financial organizations for cash and foreign transactions;
- 3.7.10. Strengthen the capacity of intelligence agency in relation to improve the monitoring of non-governmental organizations that may be actively involved in terrorism activities and terrorist organizations;
- 3.8. The following activities will be implemented within the scope of eighth objective of the Strategy:
- 3.8.1. Strengthen the capacity of law enforcement authorities to investigate money laundering and terrorist financing offenses, and other crimes and improve their cooperation;
- 3.8.2. Amend sanctions imposed on the person who commits ML offense and associates;
- 3.8.3. Organize training for officials of relevant organizations in seizing, freezing, and confiscating of assets, income, and movable and immovable property generated by the proceeds of crime;
- 3.8.4. Develop and approve guidelines and recommendations for effective management and allocation of seized and confiscated assets;
- 3.8.5. Establish a permanent investigative task force including representatives of organizations with investigative functions with the purpose of detecting and disrupting all other crimes committed in association with money laundering and terrorist financing crimes;

3.8.6. Ensure that law enforcement agencies have a proper budget for investigation and operation to promptly detect, suppress, and terminate ML/TF offenses and fully identify all aspects of the crime;

3.8.7. Research international best practices of allocating to law enforcement agencies proceeds of ML and TF crimes, confiscated and generated into the state budget;

3.8.8. Strengthen the capacity of law enforcement officers in the detection and investigation of proceeds and assets derived from crimes or earned with the purpose to finance terrorism that are transferred and received to and from abroad as well as transported physically across border;

3.9. The following activities will be implemented within the scope of the ninth objective of the Strategy:

3.9.1. Improve the legal framework of mutual legal assistance;

3.9.2. Adopt and enforce regulations on mutual legal assistance in criminal cases;

3.9.3. Initiate and sign mutual legal assistance treaties with foreign countries to combat and detect money laundering and terrorism financing;

3.9.4. Improve the knowledge and capacity of staff of law enforcement agencies and other related stakeholders to promptly exchange information on ML/TF crimes and other transnational crimes;

3.9.5. Create a unified information database integrating statistical data on cases investigated for ML and TF and cases resolved by a court.

3.10. The following activities will be implemented within the scope of the tenth objective of the Strategy:

3.10.1. Organize regular training and seminars for reporting entities in prevention from money laundering and terrorism financing crimes;

3.10.2. Organize regular training for police, intelligence agency, prosecutor and court on combating money laundering and terrorism financing;

3.10.3. Strengthen the capacity of customs and tax authority staff by organizing training in combating money laundering and terrorism financing;

3.10.4. Approve and implement a public awareness program on combating money laundering and terrorism financing;

3.10.5. Support organizations and individuals taking initiatives and working actively to raise awareness and education about combating money laundering and terrorism financing;

Four. Timeframe and outcomes of the Strategy

4.1. The Strategy will be implemented during 2017-2019 period.

4.2. Implementing the Strategy objectives will achieve the following outcomes:

4.2.1. Coordination and cooperation among AML/CFT stakeholders and public-private partnerships will be improved. Actions and activities will be taken on the national level in combating money laundering and terrorism financing;

4.2.2. Awareness, understanding, and knowledge of government and non-governmental organizations, private entities, financial institutions, non-financial professional service providers, and public in relation to preventing and fighting money laundering and financing of terrorism will be enhanced, information sharing and detection of ML/TF offences will be more effective leading to better and improved outcome of AML/CFT effort;

4.2.3. Financial institutions and other non-financial professional service providers will take measures specific to their sectors to prevent ML/TF risks and the quality and content of the suspicious transaction information submitted to the Financial Information Unit will be improved;

4.2.4. A legal framework consistent with the AML/CFT/PF standards set by the international organizations such as United Nations and FATF will be established and strengthened;

4.2.5. Supervisory framework of the compliance of AML/CFT obligations by financial institutions and other non-financial professional service providers will be improved;

4.2.6. Activities of the Financial Information Unit will be expanded, coordination and cooperation among law enforcement agencies will be improved, and detection of ML/TF crimes will be increased;

4.2.7. Prevention of legal entities, persons and legal arrangements from money laundering and terrorism financing crimes, and the competent authorities will be able to obtain information about their beneficial owners;

4.2.8. An environment that prevents crimes of terrorism, terrorist organizations and terrorist financing will be established;

4.2.9. Specialized officers responsible for detecting, investigating ML/TF offenses and other related crimes, and confiscating the assets and proceeds of crime will be trained, and structure and administration of organizations responsible for these operations will be improved;

4.2.10. A legal framework of mutual legal assistance with foreign countries for the prevention, fighting and investigation of transnational crimes will be established;

4.2.11. Opportunity to obtain information and evidence about persons who have committed money laundering and terrorist financing offenses and proceeds and assets of such crimes within the framework of international cooperation will be improved;

4.2.12. A fundamental environment for preventing ML/TF crimes will be established by increasing public awareness about AML/CFT prevention, and strengthening the capacity, cooperation and coordination of relevant competent authorities.

Five. Financing of the Strategy

5.1. The Strategy will be financed from following sources:

5.1.1. state and local budgets;

5.1.2. fund and loans provided by international organizations and donor countries;

5.1.3. other sources.

Six. Management and structure of the Strategy

6.1. The National Committee, that is in charge of taking necessary measures to improve results of the Mutual evaluation report of the anti-money laundering and terrorist financing system of Mongolia, will be responsible for coordinating the implementation of this Strategy at national level, providing integrated management, and coordinating cross-sectoral activities.

6.2. The National Committee in cooperation with the Financial Information Unit shall be responsible for developing and implementing the Strategy action plan, cooperating and supporting the participation of governmental and non-governmental organizations, international organizations, the private sector as well as their proposals and initiatives, and providing relevant information to public accordingly.

Seventh. Monitoring and evaluation of the Strategy

7.1. The National Committee in cooperation with the Financial Information Unit shall be responsible for annually conducting monitoring of the Strategy implementation.

7.2. The National Committee shall submit the report on Strategy implementation to the Government within the first half of each year.

7.3. Amendments can be made to the Strategy and to its action plan taking into account of monitoring and evaluation outcome of the Strategy, recommendations issued by international organizations, and standards adopted by international organizations in relation to money laundering and terrorism financing.