

**LAW OF MONGOLIA**

**31 May 2013**

**Ulaanbaatar city**

**LAW ON COMBATING MONEY LAUNDERING  
AND TERRORISM FINANCING**

**CHAPTER ONE  
GENERAL PROVISIONS**

**Article 1. Purpose of the Law**

1.1. The purpose of this Law is to combat and define legal basis of organizing preventive measures against money laundering and terrorism financing.

**Article 2. Legislation on Combating Money Laundering and Terrorism Financing**

2.1. The law on combating money laundering and terrorism financing shall consist of the Constitution of Mongolia, the Criminal Code, this Law and other legal acts adopted in conformity with these laws.

2.2. If an international treaty to which Mongolia is a party is inconsistent with this Law then the provisions of the international treaty shall prevail.

**Article 3. Definitions of terms**

3.1. The following terms used in this Law shall be understood as follows in the application of this law:

3.1.1. “Money laundering” means the acquisition, conversion or transfer of an asset knowing that the asset is the proceeds of crime or the concealment or disguise of the illicit origin of the asset, transfer of rights of ownership of the asset, conversion of the true nature, location of that asset for the purposes of making the assets’ appearance as legal.

3.1.2. “Terrorism financing” means the provision, collection or transfer of asset directly or indirectly, in the knowledge that they are to be used to carry out a terrorist act or to finance a terrorist organization, or an individual terrorist.

3.1.3 “Cash transaction” means a transaction involving local and foreign banknotes as well as checks, bills and securities widely used in international settlement.

3.1.4. "Non cash transactions" means transactions involving internationally accepted payment orders, invoices, letters of credit, collection service, payment cards, electronic settlements, leverage, loan and other non-cash payments;

3.1.5. "Politically exposed person" is defined as pursuant to Article 20.2 of The Law on the Regulation of Public and Private Interests and Prevention of Conflict of Interest in Public Service.

3.1.6. "Beneficial owner" means the natural person who direct and control a customers' action, activity and on whose behalf a transaction is being conducted; or the natural person who initially founded a legal entity and ownership is exercised by one or more legal entities in a chain of ownership.

3.1.7. "Shell bank" means a bank registered in a jurisdiction in which it has no physical presence.

3.1.8. "Customer" means a person who is using services provided by the entities described in Article 4.1;

3.1.9. "Asset" is defined as pursuant to Article 83 of Civil Code of Mongolia.

## **CHAPTER TWO PREVENTIVE MEASURES**

### **Article 4. Reporting entities**

4.1. The following entities shall report to the Financial Information Unit described in Article 16.1 on transactions specified in to Article 7 of this Law:

- 4.1.1. banks;
- 4.1.2. non-bank financial institutions;
- 4.1.3. insurance companies and insurance licensed entities;
- 4.1.4. investment funds;
- 4.1.5. licensed securities market entities;
- 4.1.6. savings and credit cooperatives;
- 4.1.7. real estate agents;
- 4.1.8. notaries;

4.2. Entities described in Article 4.1 shall not open an anonymous, or numbered account, or an account in fictitious names, or make a transaction from or to such accounts, or use closed accounts.

### **Article 5. Customer due diligence**

5.1. Entities described in Article 4.1 shall identify and verify customer information based on reliable official sources of information, documents and information sources in the following circumstances:

5.1.1. prior to establishing a financial relation;

5.1.2. prior to conducting a occasional transactions equal to or more than 20 million togrogs (or equivalent foreign currency) of entity who has not established consistent business relations and who has no permanent bank account;

5.1.3. if the total sum of several inter-related transactions made within 24 hours is 20 million togrogs (equivalent foreign currency) or above even the individual value of any of these transactions is less than the threshold specified in Article 5.1.2;

5.1.4. if there are doubts about the authenticity and accuracy of previously obtained information on customer;

5.1.5. if there are grounds to suspect that the customer or the transaction is involved with money laundering or terrorism financing;

5.2. For the purposes of identifying and verifying customer information pursuant to Article 5.1 entities described in Article 4.1 shall take following procedures:

5.2.1. if a customer is an individual, entities shall request the customer's full name, date of birth, registration number, and a copy of identify card or passport (an officer who receives the information shall verify it with the original document and make the note about the authenticity free of charge), notarized copy of an identity card if delivered by post;

5.2.2. if a customer is a legal entity, request its name, address, national registration and tax payer number, contact phone number, a copy of its national registration certificate (an officer who receives the information shall verify it with the original document and make note about the authenticity free of charge), notarized copy of the document if delivered by post and detailed information on its management;

5.2.3. For the purposes of understanding and knowing whether the account is opened and/or transaction is conducted on behalf of a beneficial owner, entities shall clarify information on the nature of the business relationship, purpose and ultimate beneficiary of transaction;

5.2.4. if a customer is a legal entity, entities shall identify full name of a beneficial owner, and take reasonable measures to verify the identity of the beneficial owner, and understand the ownership and control structure of that customer.

5.2.5. if a customer is a legal person or arrangement entities shall verify that any person purporting to act on behalf of the customer is so authorized, and shall identify full name and shall verify it with the original document of that person;

5.2.6. entities shall clarify full name, registration number, residential address, contact phone number of a sender and a receiver of wire transfers between banks and other financial institutions;

5.3. Other requirements related to the enhanced customer due diligence shall be regulated by a regulation approved by the Governor of the Bank of Mongolia;

5.4. Entities described in Article 4.1 are obligated to refuse to provide service if a customer refuses to provide information **as stipulated** in Article 5.2;

5.5. Entities described in Article 4.1 should take particular measures to manage and mitigate money laundering and financing of terrorism risks associated to new or developing technologies;

5.6. Entities described in Article 4.1.1 shall obtain following information prior to opening a correspondent account in a foreign bank to make international remittance, transfer, or payment:

5.6.1. Information to understand fully the nature of the bank's business

5.6.2. Information from publicly available information and supervising authority about the reputation of the bank

5.6.3. Assess the respondent's AML/CFT policies, internal monitoring programs

5.6.4. Inquiry whether the bank has been subject to or linked to money laundering and terrorist financing investigation or regulatory actions.

5.7. Entities described in Article 4.1.1 shall refuse to enter into a correspondent banking relationship with shell banks or banks that have correspondent relations with shell banks;

5.8. Entities described in Article 4.1 shall identify high risk of money laundering and terrorism financing categories of business relations, transactions and shall apply enhanced customer due diligence measures.

## **Article 6. Enhanced monitoring of transactions**

6.1. Entities described in Article 4.1 shall undertake enhanced monitoring of the following transactions:

6.1.1. transactions with unusually large amount;

6.1.2. transactions that have no apparent economic or lawful purpose;

6.1.3. transactions conducted in the name of a politically exposed persons;

6.1.4. transactions made via countries that are defined by the AML/CFT international organizations as the strategically deficient in anti money laundering and combating the financing of terrorism regime;

6.2. Entities described in Article 4.1 shall undertake all possible measures to obtain additional information, explanation and examine purpose of transaction and business relationships of transaction specified in Article 6.1 and findings shall be kept documented.

### **Article 7. Reporting of transactions**

7.1 Entities described in Article 4.1 shall submit a report about cash and foreign settlement transactions above 20 million togrog to the Financial Information Unit within 5 working days in accordance with approved procedures and formats.

7.2. If entities described in Article 4.1 suspects or knows that an asset or transaction, or attempted transaction is related to money laundering or terrorism financing, or is related to proceeds of crime it shall submit a report to the Financial Information Unit within 24 hours in accordance with approved procedures and formats.

7.3. Entities described in Article 4.1 shall deliver the information to the Financial Information Unit by fax, in electronic form, or in writing in accordance with approved procedures and formats.

7.4. Entities described in Article 4.1 shall provide information on specific transactions and their participants to competent law enforcement authorities and anti-terrorism authorities in accordance with the dissemination regulation jointly adopted by the Governor of the Bank of Mongolia and the Member of the Government in charge of legal affairs.

### **Article 8. Record keeping of information and documentation of customers.**

8.1. Entities described in Article 4.1 of this law shall retain information and records of transactions, accounts and information of customers obtained in accordance with Article 5 and 6 of this law for at least five years after the date of transaction or the closure of the account.

8.2. Entities described in Article 4.1 of this law shall keep records and information specified in Article 8.1 of this law in a way that they can be made available on timely basis to competent authorities.

### **Article 9. Suspicious transactions information**

9.1. The Suspicious transaction information sending to FIU shall contain following information:

9.1.1. Name and addresses of the entities described in Article 4.1 of this law and the identity of the officials who submitted the information;

9.1.2. Information on customers and beneficiaries;

9.1.3. Information on purpose, value, form, date, account number, account holder and other participants of the transaction;

9.1.4. Brief explanation of grounds and circumstance to suspect the transaction;

9.1.5. Other related documents.

#### **Article 10. Monitoring of accounts**

10.1. If there are grounds to suspect that an account of a customer of an entity described in Article 4.1 of this law is used for money laundering and terrorism financing purposes the FIU may monitor that particular account.

#### **Article 11. Asset suspension, freezing**

11.1. If there are grounds to suspect that a transaction is used for the purposes of money laundering or terrorism financing the Head of the Financial Information Unit may suspend the transaction up to 3 working days and a court shall extend the period if required.

11.2. The decision specified in Article 11.1 of this law shall be forwarded to the reporting entity in writing but if this is impossible, the latter shall be notified by phone, to be followed by a written notice within 24 hours.

11.3. During the suspension of a transaction initiated in accordance with Article 11.1 of this law, the Financial Information Unit shall undertake the following measures;

11.3.1. Obtain necessary information from related local and foreign institutions;

11.3.2. If the established facts are sufficient to suspect that the given transaction had the purpose of money laundering or terrorism financing, then it shall be reported to the competent authorities and the related documents shall be sent to those parties for investigation;

11.3.3. If it is established that the given transaction did not have the purpose of money laundering or terrorism financing, then the suspension decision shall be annulled and the an entity described in Article 4.1 of this law shall be immediately notified.

#### **Article 12. Exemption from liability.**

12.1. The submitting of reports by entities described in Article 4.1 to the Financial Information Unit and competent authorities, in accordance with provision of this Law, shall not be deemed as a breach of banking and professional confidentiality.

12.2. If a report submitted by entities described in Article 4.1 has not been proven to be relating to money laundering and terrorism financing, it shall not be accountable for submitting such information.

12.3. Neither the FIU nor entities described in Article 4.1 are liable for any harm arising from the suspension of a specific transaction, in accordance with Article 11 of this Law.

12.4. A matter of eliminating any harm caused to a person or legal entity due to unlawful actions undertaken by entities described in Article 4.1 and FIU, should be settled according to the related laws.

### **Article 13. Confidentially of information**

13.1. Entities described in Article 4.1 and FIU are prohibited from disclosing information on customers' transaction to any other person other than as provided for in Article 7.4 of this Law.

13.2 The Head, supervisors, analysts and other officers of FIU shall not disclose at any time confidential information related to customers' transactions other than for purposes authorised by this Law even after the end of his/her tenure.

### **Article 14. Internal monitoring of reporting entities**

14.1. Entities described in Article 4.1 of this law shall develop and implement an internal monitoring program to combat money laundering and terrorism financing. The program shall contain the following:

14.1.1. Regulation on detecting suspicious transactions, security and confidentiality of information, reporting and transferring of information and documents to the Financial Information Unit and other competent authorities,

14.1.2. Regulation on implementation of AML/CFT law and the appointment and discharge, powers and obligations of compliance officers in charge of monitoring regulations described in Article 14.1.1,

14.1.3. Requirement for providing training plan for the compliance officers described in Article 14.1.2 of this Law.

14.1.4. Assessment of their customer, services and products for money laundering and terrorism financing risks and procedures in relation to enhanced due diligence for higher risk categories.

14.2. The program described in Article 14.1 of this Law shall be submitted for registration to FIU.

### **Article 15. Transportation of cash across the borders of Mongolia**

15.1. Travellers carrying more than 15 million togrogs or equivalent amount of foreign currency, bearer negotiable instruments, e-money across the Mongolian border shall declare faithfully in the Customs declaration forms.

15.2. Mongolian Customs General Administration shall consolidate cash declarations made under Article 15.1 of this Law and transmit to the Financial Information Unit every month according to the relevant regulations.

15.3. The Format of declaration forms for the purpose of Article 15.2 shall be approved by the Head of the Mongolian Customs General Administration in consultation with the Head of the Financial Information Unit.

### **CHAPTER THREE**

#### **RIGHTS AND RESPONSIBILITIES OF STATE COMPETENT AUTHORITIES**

##### **Article 16. Financial Information Unit**

16.1. The Financial Information Unit is the autonomous and independent agency whose functions are to receive information specified in Article 7 of this law from entities described in Article 4.1, analyze them, and disseminate to the competent law enforcement authorities if transactions and transaction attempts are suspected to be related to money laundering and terrorism financing.

16.2. The Financial Information Unit shall be established alongside the Bank of Mongolia.

16.3. The operation strategy, organisational structure and budget of the Financial Information Unit shall be approved by the Governor of the Bank of Mongolia based on the proposal made by the Cooperation Council specified in Article 22.1.

16.4. The Head of the Financial Information Unit shall be appointed and dismissed by the Governor of the Bank of the Mongolia in consultation with the head of the competent law enforcement authority.

16.5. The Head of the Financial Information Unit shall meet the following requirements:

16.5.1. At least 5 years of relevant professional experience in banking, financial or legal sector;

16.5.2. have no outstanding liabilities according to loan and guarantee collateral agreements;



16.6. The analysts and supervisors of the Financial Information Unit shall meet the following requirements:

16.6.1. At least 2 years of relevant professional experience in banking, financial or legal sector;

16.6.2. Have no outstanding liabilities according to loan and guarantee collateral agreements;

16.7. The Head of the Financial Information Unit shall be the senior state inspector, and supervisor and analyst Unit shall be state inspector of financial information.

16.8. The Governor of Bank of Mongolia shall appoint the senior state inspector and the senior state inspector shall appoint the state inspector.

16.9. The Head, supervisors, and analysts of the Financial Information Unit shall have the power to conduct supervision, obtain information from government agencies for the purposes of performing duties prescribed in law, when required.

#### **Article 17. Function of competent law enforcement authority**

17.1. The representatives of competent law enforcement authority should be seconded in the Financial Information Unit.

17.2. The representatives of competent law enforcement authority shall have the rights to conduct supervision and obtain information pursuant to Article 16.9 of this law.

17.3. The representatives under Article 17.1 of this law shall be appointed and dismissed by the Head of Financial Information Unit in consultation with the head of competent law enforcement authority.

17.4. Joint working group of the Financial Information Unit and competent law enforcement authority can be established, when required.

#### **Article 18. Functions of the Financial Information Unit**

18.1. The Financial Information Unit shall have the following functions, in addition to those provided in Article 10 and 11 of this law:

18.1.1. To receive, collect, and analyze information reported from entities described in Article 4.1 of this law and as well as information in databases of relevant local and foreign institutions;

18.1.2. If there are sufficient grounds to suspect that the given transaction had the purpose of money laundering or terrorism financing, then it shall be disseminated to competent law enforcement authorities and anti terrorism agencies according to the regulation and to

compile database on reports of suspicious, cash and non cash transactions submitted to the competent authorities;

18.1.3. To provide feedback on a timely basis about measures taken on suspicious, cash and non cash transaction reports to entities described in Article 4.1 of this law and competent law enforcement authorities;

18.1.4. Develop and provide methodology to monitor and detect suspicious transactions and examine information related to money laundering and terrorism financing and monitor its implementation by the entities described in Article 4.1;

18.1.5. To enhance public awareness to combat and prevent money laundering and terrorism financing;

18.2. The supervisors of the Financial Information Unit shall have the power to examine the compliance of the laws to combat money laundering and terrorism financing and to require rectification of any breaches of the Law by entities described in Article 4.1, or to make recommendations to the competent authorities for further action including the cancellation of special licenses.

18.3. Financial Information Unit shall monitor how entities described in Article 4.1 and their officers fulfil their obligations imposed by this law.

18.4. The Financial Information Unit shall submit annual report of its activities on a yearly basis to the Financial stability council.

18.5. The Financial Information Unit shall have right to obtain information from state registration, property registration, social insurance registration, border crossing registration, investment registration, records of transactions between banks from competent authorities for the purposes of performing duties prescribed in this law.

## **Article 19. Monitoring and ensuring compliance of reporting entities**

19.1. The Bank of Mongolia shall supervise and regulate entities described in Article 4.1.1 of this law and the Financial Regulatory Commission and the Financial Information Unit shall supervise and regulate entities described in Article 4.1.2 through 4.1.7 of this law to ensure compliance with their obligations imposed by this Law and relevant regulations.

19.2. The Bank of Mongolia, Financial Regulatory Commission and Financial Information Unit shall take the following actions in relation to monitoring compliance with this law:

19.2.1. To take the necessary measures to establish appropriate criteria for implementation of this Law, to influence directly or indirectly management, operation of entities described in Article 4.1 of this law;

19.2.2. Supervise and regulate entities described in Article 4.1 of this Law to ensure compliance with their obligations imposed by Law;

19.2.3. To issue instructions, regulations, guidelines, and recommendations for compliance of obligations imposed by this law on entities described in Article 4.1 of this Law;

19.2.4. To cooperate with and exchange information with other competent authorities and provide assistance in investigations, prosecutions, or proceedings related to money laundering and terrorism financing;

19.2.5. The Financial Information Unit and competent authorities shall develop standards and criteria applicable to the reporting of suspicious transactions;

19.2.6. Publicize and maintain statistics concerning measures adopted and sanctions imposed in enforcing this Law;

#### **Article 20. Database**

20.1. The Financial Information Unit shall have a unified database of information compiled in accordance with the provisions of this Law.

20. 2. The regulation on storage and use of information in the database described in Article 20.1 shall be approved by the Head of the Financial Information Unit.

#### **Article 21. Cooperation with similar foreign institutions**

21.1. The Financial Information Unit should cooperate with foreign and international organizations with similar functions and of the same level of confidentiality requirements in accordance with respective legislation.

21.2. The Financial Information Unit may provide the required information at the request of the institutions described in Article 20.1 and in accordance with the respective laws.

### **CHAPTER FOUR MISCELLANEOUS**

#### **Article 22. Cooperation Council**

22.1. The Cooperation Council, with function to ensure the implementation of laws related to combating the money laundering and terrorism financing, exchange information, mitigate risk and prepare recommendations on preventative measures shall be established at the Financial Information Unit.

22.2. The Cooperation Council shall be consisted of representatives of Ministries in charge of foreign relation, finance, justice, Prosecutor office, Bank of Mongolia, Financial regulatory commission, Law enforcement authorities, organizations responsible of combating terrorism financing, taxation and custom authorities and the Financial Information Unit.

22.3. The function of secretariat of Cooperation Council shall be implemented by the Financial Information Unit.

22.4. The regulation, composition and management of the Cooperation Council shall be approved by the Governor of the Bank of Mongolia.

**Article 23. Liabilities to be imposed on those who breach the Law.**

23.1 Liabilities in accordance with respective law shall be imposed on those who breach this Law.

**Article 24. Coming into force**

24.1. This law shall come into force on 31 May, 2013.

Speaker of  
the Great Khural  
of Mongolia

Z.Enkhbold