



LAW OF MONGOLIA ON CENTRAL BANK (BANK OF MONGOLIA)

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CHAPTER ONE General Provisions

Article 1. Purpose of the law

The purpose of this law shall be to establish the legal grounds of the powers of the Central Bank of Mongolia, its management, organization and activities, and to regulate relations concerning the implementation of State monetary policy undertaken by the Central Bank of Mongolia ("Bank of Mongolia").

Article 2. Legislation on the Central Bank (Bank of Mongolia)

The legislation on the Central Bank of Mongolia (Bank of Mongolia) shall consist of the Constitution, this law and other legislative acts issued in conformity with them.

Article 3. Legal status of the Central Bank of Mongolia

1. The Central Bank of Mongolia shall be the competent organization authorized to implement State monetary policy within the territory of Mongolia. The Central Bank of Mongolia shall be called the Bank of Mongolia (Mongolbank). The headquarters of the Bank of Mongolia shall be located in the capital city of Mongolia.

2. The Bank of Mongolia is a legal entity established by the State and shall use the seal, stamp, and official form. The Bank of Mongolia may have its own symbol.

Article 4. Objective of the Bank of Mongolia

1. The main objective of the Bank of Mongolia shall be to ensure stability of the togrog.

2. Within its main objective the Bank of Mongolia shall also promote balanced and sustained development of the national economy, through maintaining the stability of money, financial markets and the banking system.

Article 5. Direction of Bank of Mongolia's activities

In order to implement its objectives as set forth in this law, the Bank of Mongolia shall conduct the following activities:

- 1) issuing currencies into transaction;
- 2) formulation and implementation of monetary policy by coordinating money supply in the economy;
- 3) acting as the Government's fiscal intermediary;
- 4) supervision of banking activities;
- 5) organization of inter-bank payments and settlements;
- 6) holding and management of the State's reserves of foreign currencies.

CHAPTER TWO

Currency of Mongolia

Article 6. Exclusive right to issue currencies into transaction

1. The Bank of Mongolia shall have the exclusive right to issue the currencies of Mongolia.
2. It shall be prohibited to issue counterfeit currencies into transaction.

Article 7. Currency unit and its form

1. The official unit of currency of Mongolia shall be the togrog. One togrog is equal to one hundred mongo.
2. The currency of Mongolia shall be in the form of banknotes or coin and its design shall be approved by the State Ikh Khural.

Article 8. Legal tender

1. Togrogs issued into transaction by the Bank of Mongolia shall, without any limitation, be the lawful means of payment for their named amount in every settlement conducted in the territory of Mongolia.
2. Unless the law provides otherwise the Bank of Mongolia may authorise the use of other negotiable instruments in substitution for the togrog.

Article 9. Activities of the Bank of Mongolia related to monetary unit

1. The Bank of Mongolia shall conduct activities to ensure the proper structure of the currency by issuing and withdrawing currency from transaction.
2. The Bank of Mongolia shall organise and procure the production, delivery, safekeeping and reserve maintenance of the currency and shall determine the validity of currency and replace and destroy unfit currency.
3. The Bank of Mongolia shall establish a procedure for replacement of unfit

currency. It is prohibited to destroy any currency without the approval of the Bank of Mongolia.

CHAPTER THREE

Activities of the Mongolbank

Article 10. Formulation and implementation of monetary policy

1. The Bank of Mongolia shall formulate and implement State monetary policy.
2. The Bank of Mongolia shall formulate State monetary policy for the next year, and present that policy to the State Ikh Khural by October 1 of each year. The policy shall contain:
 - 1) an assessment of and conclusions on the monetary supply and financial markets of the economy including factors and reasons for the assessment and conclusions;
 - 2) target range for monetary indicators, domestic price level and exchange rate of the togrog in terms of stable foreign currencies and the application of monetary policy instruments.

Article 11. Monetary policy instruments

The Bank of Mongolia may use the following instruments to implement State monetary policy:

- 1) setting of the amount and proportion of compulsory reserves to be maintained by banks;
- 2) determining the amount of credit granted to banks;
- 3) pursuing a unified policy on interest rates by setting the lending rate and discount rate on credit granted and securities issued by the Bank of Mongolia;
- 4) conducting open market operations;
- 5) imposing a ceiling on credit outstanding to be granted by banks.

Article 12. Compulsory reserves of banks

1. For the purpose of regulating the money supply, the Bank of Mongolia shall require banks to maintain an amount of reserves to be determined by the Bank of Mongolia and calculated as a percentage of the balance of deposit and current accounts of individuals and legal entities and other liabilities of the bank.

2. The Bank of Mongolia shall require banks to maintain reserves of not less than 5 percent and not more than 30 percent of the liabilities referred to in paragraph 1 of this article.

3. Reserves of banks may be held in the form of cash holdings or by way of balances in current accounts with the Bank of Mongolia.

4. The Bank of Mongolia may pay interest on reserves which form part of a compulsory reserve.

5. The Bank of Mongolia shall impose a penalty on banks that fail to maintain required reserves. The maximum penalty under this clause shall not exceed the amount equal to highest interest charged by the Bank of Mongolia to the banks plus 5 points of a percent.

6. The Bank of Mongolia shall establish a procedure for assessment and supervision of the required reserves of banks.

Article 13. Granting credit to banks

1. The Bank of Mongolia may extend credit to banks as a lender of last resort if the following conditions are met:

1) the loans have a maturity of one year or less and are secured by way of Government debt instruments issued by the Bank of Mongolia, by bills of exchange or promissory notes bearing signatures recognized by the Bank of Mongolia, by accounts held with the Bank of Mongolia, or by other eligible assets and securities acceptable to the Bank of Mongolia; and

2) the Bank of Mongolia considers that the borrower-bank's liquidity needs are of a temporary nature not exceeding three months, and that the borrower-bank is able to repay the loan and resolve its liquidity problem itself.

2. The Bank of Mongolia shall have the right to determine the amount of credit given to banks in accordance with an indice of the target for money supply and to determine if the amount of credit given to a particular bank is within the capacity of that bank.

3. The Bank of Mongolia shall provide credit on the basis of an agreement and may set competitive or non-competitive rates of interest.

4. The Bank of Mongolia shall establish a unified procedure for granting credit to banks pursuant to this law.

Article 14. Unified interest rate policy

The Bank of Mongolia shall pursue a unified interest rate policy by setting interest and discount rates on credits and securities.

Article 15. Open market operations

In order to regulate bank reserves, the Bank of Mongolia shall have the right to conduct open market operations by issuing securities with maturities of up to one year and by purchasing and selling such securities and Government debt instruments and other securities accepted by the Bank of Mongolia.

Article 16. Imposing limits on credit granted by banks

The Bank of Mongolia may impose a ceiling on credit outstanding that may be extended from banks to individuals and legal persons if it considers that the instruments for regulating the money supply provided for in sub-paragraphs 1 to 4 of article 11 of this law are

not sufficient.

Article 17. Acting as fiscal intermediary of the Government

When acting as the Government's fiscal intermediary the Bank of Mongolia may conduct the following operations:

- 1) holding the Government's unified budget account and conducting banking transactions at the request of the Minister of Finance in accordance with an agreement containing the relevant terms;
- 2) selling bonds and securities issued by the Government to other persons and purchasing such bonds and securities in accordance with State monetary policy objective and current market conditions;
- 3) conducting payment transactions with respect to Government loans from foreign countries and loans by others to legal persons which the Government has guaranteed, within the amount of the balance remaining in the State budget unified account, in accordance with the schedule of payments for such loans;
- 4) other intermediary activities in accordance with legislation.

Article 18. Extension of credit to the Government

1. The Bank of Mongolia may agree to grant temporary credit to meet seasonal liquidity needs, subject to repayment before the end of the financial year in accordance with the terms of an agreement.

2. The total amount of the balance of temporary credits shall not exceed 10 percent of domestic budget revenue accumulated during the immediately preceding three years. Domestic budget revenue shall not include income from selling Government assets or domestic securities.

3. If the Bank of Mongolia has bought obligations issued by the Government, it shall be added to the total of advances made to the Government. The balance of the Government long term securities purchased by the Bank of Mongolia will not be included in the total amount of the balance of temporary credits stated in paragraph 2 in this Article.

4. The Bank of Mongolia shall establish the procedure for granting credit to the Government in accordance with this law.

Article 19. Supervision of bank activities

1. For the purpose of protecting the interests of depositors and customers, the Bank of Mongolia shall establish a procedure for an issue regulations and instructions, and make decision, undertake supervision and enforcement activities relating to: the licensing of banks; the requirements of banks; the maintenance of adequate paid in capital and liquidity assets; improving the security of the banking system; and regulation of banking activities.

2. The Bank of Mongolia shall regulate relations concerning activities such as the establishment of banks, reconciliation and limitation, providing requirements, conducting

examinations, supervision of legislation and enforcement, the establishment of emergency status with respect to a bank, transmission of banking rights by the relevant law.

Article 20. Facilitation of interbank settlements

1. The Bank of Mongolia shall arrange the clearing and settlement of interbank payments and shall make payments through each bank's current account with the Bank of Mongolia.

2. The Bank of Mongolia may open branches for settlement of interbank payments.

3. The Bank of Mongolia shall issue regulations on settlement of interbank payments.

Article 21. Disposal and management of the State reserves of foreign currency

1. The Bank of Mongolia shall ensure prompt payment and security of those foreign currency reserves of the State which it disposes of and manages. Only after these obligations are fulfilled may the Bank of Mongolia conduct income earning operations using the foreign currency reserves of the State to invest in instruments tradeable in the financial markets.

2. Foreign currency reserves of the State held by the Bank of Mongolia shall consist of the following assets:

1) monetary gold held in foreign banks and with financial institutions;

2) cash or non-cash convertible foreign currencies;

3) bills of exchange and promissory notes, freely payable in convertible foreign currencies;

4) any type of obligation issued or guaranteed by the Government or central bank of foreign countries or international financial institutions which is denominated and is to be paid in convertible foreign currencies;

5) other assets internationally recognized as foreign currency reserve.

3. When managing foreign currency reserves of the State the Bank of Mongolia may conduct operations to freely convert, purchase and sell the assets set out in paragraph 2 of this article.

4. The Bank of Mongolia shall ensure the stability of the togrog when it purchases or sells foreign currencies and similar assets in exchange for the togrog.

5. If foreign currency reserves of the State have declined below the level determined by the State Ikh Khural or if the Bank of Mongolia has established that it has become impossible to implement foreign currency policy and to promptly execute foreign payments of the State, the Bank of Mongolia shall officially inform the Government and shall take pertinent measures jointly with the Government.

Article 22. Regulation of foreign currencies

1. The Bank of Mongolia shall regulate foreign currencies in accordance with the law.

2. When determining foreign currency policy and the togrog exchange rate the Bank of Mongolia shall follow the principles of keeping the exchange rate free and realistically determined, of maintaining the stability of the togrog, and of the need for balanced development of the national economy.

Article 23. Activities prohibited for the Bank of Mongolia

1. It is prohibited for the Bank of Mongolia to undertake the following activities:
 - 1) provision of any financial grant to individuals or legal persons;
 - 2) purchasing and selling movable or immovable property for profit;
 - 3) taking deposits from or extending credit or providing settlement services to individuals or legal persons other than the Government and banks;
 - 4) holding shares in legal entities or purchasing and selling.
2. Paragraph 1 of this article shall not apply to the following activities undertaken by the Bank of Mongolia:
 - 1) receiving any property or securities referred to in sub-paragraphs 2 and 4 of paragraph 1 of this article for the purpose of debt settlement, provided that they are disposed of within a feasible period;
 - 2) acquiring and holding shares in legal entities that have direct relevance to deposit insurance, export finance, clearing and automation of payments, monetary policy implementation and banking data processing, provided that the aggregate value of such shares does not exceed three percent of its capital.
 - 3) extending financial aid to and covering the expenses of its employees in accordance with legislation.
 - 4) imposition of conservatorship by the Bank of Mongolia on the grounds that insolvency of a bank is considered to affect the stability of the banking system and the national payment system

CHAPTER FOUR

Supervision of Banks by Bank of Mongolia

Article 24. Powers of the Bank of Mongolia to implement supervision of banks

1. The Bank of Mongolia shall have the power to supervise banks and of enforcement which are granted to it under this law.
2. The supervision by the Bank of Mongolia shall be carried out by the supervisor and controller appointed by the President of the Bank of Mongolia.

Article 25. Powers of supervisor

1. The supervisor appointed by the Bank of Mongolia shall review and examine banks with regard to the implementation of and compliance of individual and legal person with the

banking legislation, State monetary policy, the rules and regulations of the Bank of Mongolia, and the decisions of the President of the Bank of Mongolia. The supervisor shall have the powers of a State inspector.

2. The supervisor appointed by the Bank of Mongolia shall have the following additional powers:

- 1) to enter into the premises of banks and other relevant institutions;
- 2) to examine a bank's accounts, books, balance sheets and financial statements, to require preparation of explanations and information, and to have questions answered;
- 3) to receive free of charge from a bank's customers, including individual and legal entities, banks and financial and other institutions, copies of evidence and documentation that is required;
- 4) to examine documents of legal entities, institutions and individuals which relate to bank activities;
- 5) to impose administrative sanctions on persons or entities who violate the banking legislation;
- 6) to transfer the relevant documents to the competent organizations if a violation of the law represents a criminal offence;
- 7) to stop payment of dividends to the shareholders of a bank if that bank has failed to comply with the requirements concerning the criteria set for banks or the requirement to maintain a compulsory reserve fund to cover possible losses on loan payments.

Article 25¹ . Controller appointed by the Bank of Mongolia.

1. The controller appointed by the Bank of Mongolia shall have the following powers:

- 1/ To control and supervise daily activities of the bank and its management and to report on these to the Bank of Mongolia during their period of appointment;
- 2/ To participate, without voting rights, in meetings of the Board of Directors and meeting of shareholders, and provide advice on these issues;
- 3/ In case of non-compliance of legislation is revealed, to give an assignment to take corresponding actions within a specific time period and to control its implementation.
- 4/ The powers of the supervisor, stated in this law."

CHAPTER FIVE

Management of the Bank of Mongolia

Article 26. Management of the Bank of Mongolia

1. The Bank of Mongolia shall be headed by the President appointed by the State Ikh Khural and he/she shall be accountable and shall report to the State Ikh Khural. The appointment of the President of the Bank of Mongolia by the State Ikh Khural shall be made

at the proposal of the Chairman of the State Ikh Khural and be for a period of six years.

2. The First Deputy President and the Deputy President of the Bank of Mongolia shall be appointed by the State Ikh Khural for six years at the proposal of the President of the Bank of Mongolia.

3. When appointing the President and First Deputy President of the Bank of Mongolia the State Ikh Khural shall take into consideration each candidate's knowledge of economics, banking, finance and management, and his/her professional skills, ethics and work experience.

4. In the absence of the President of the Bank of Mongolia, the First Deputy President and in absence of the first Deputy President, the Deputy President shall have the full authority of the President of the Bank of Mongolia.

5. The State Ikh Khural shall determine the salary of the President of the Bank of Mongolia.

6. The State Ikh Khural may discharge the President, First Deputy President or Deputy President of the Bank of Mongolia from their posts in the following circumstances:

- 1) if he/she becomes a shareholder of a commercial bank;
- 2) if he/she did (or did not) take action against (or for) the interests of the Bank of Mongolia;
- 3) at his/her own request for discharge due to inability to fulfil official duties because of ill-health or for other serious reason;
- 4) the unsatisfactory fulfilment of duties;
- 5) he/she is convicted of a criminal offence by a Court;
- 6) if some other conflict of interest arises.

7. It is prohibited for Presidents, First Deputy Presidents and Deputy Presidents of the Bank of Mongolia to occupy management posts in banks for a period of one year after they are released from their posts.

Article 27. The Council of the Bank of Mongolia

1. The Council of the Bank of Mongolia shall be established at the President's office.

2. The Council of the Bank of Mongolia may make recommendations on issues relating to the authority of the President of the Bank of Mongolia.

3. The composition and rules of the Council shall be approved by the order of the President of the Bank of Mongolia.

Article 28. Powers of the President of the Bank of Mongolia and guarantees for exercising such powers

1. The President of the Bank of Mongolia shall have following powers:

- 1) to manage and regulate the activities of the Bank of Mongolia, its branches and representative offices;

2) to issue rules, regulations, instructions, and orders on policy reflecting norms and needs and in relation to financial, accounting, information management and organizational matters;

3) to address directly the Standing Committees of the State Ikh Khural, the Government, and other relevant institutions and to express his/her opinion at sessions of State Ikh Khural, Standing Committees and Cabinet meetings;

4) to issue guarantee(s) on behalf of the Bank of Mongolia to the Government or banks, the total value of which is not to exceed the paid in capital of the Bank of Mongolia;

5) to set fees for services provided by the Bank of Mongolia and interest rates on loans made;

6) to determine the organizational structure of the Bank of Mongolia;

7) to consult with shareholders of a bank on the appointment and discharge of the bank's executive director with respect to his/her professional ethics and competence, and if it is deemed necessary to recommend to shareholders to replace, suspend or discharge an executive director for the reasons provided for in the banking legislation;

8) to inform the Government about measures required for the implementation of State monetary policy, and to make decisions in consultation with the Government;

9) to inform the State Ikh Khural and Government of the conclusions and recommendations of the Bank of Mongolia on the implementation of State monetary policy and the state of the financial markets on a regular basis every quarter;

10) to cancel the licence of any bank which is in breach of the banking legislation or the decisions of the Bank of Mongolia;

11) to take appropriate measures to train and retrain banking professional personnel;

12) to investigate the implementation of this law, the banking legislation and his/her own decisions by individual and legal entities, and to take lawful measures and issue orders to ensure complete implementation;

~~13) to exercise other powers provided for in the legislation.~~

14) any other rights specified in legislations.

2. In exercising his/her powers the President of the Bank of Mongolia shall have the following guarantees:

1) the salary and other benefits appropriate for high-ranking State officials;

2) a vehicle and communications equipment;

3) diplomatic immunity and privileges while traveling abroad;

4) any other rights provided for in the law.

3. The Chairman of the State Ikh Khural shall be notified within twenty four hours if the President of Bank of Mongolia is caught committing a crime or in possession of evidence of a crime. Except in the abovementioned cases it is prohibited to detain, impose administrative penalty by Court order or to search the residence, vehicle, office or the person of the him/her without the authorisation of the State Ikh Khural.

4. During his/her term the President of the Bank of Mongolia shall be free from national or local mobilisation.

5. It is prohibited for the President of the Bank of Mongolia to hold concurrently any other post or employment which is not related to his/her duties under this law.

6. At the end of his/her term, the State Ikh Khural shall take measures to provide the President with a particular post or employment, and in absence of this, measures to ensure he/she does not suffer a reduction in standard of living for a one year period from the date of termination of his/her duties.

Article 28¹ . Powers of the General Manager of the Bank of Mongolia

1. The General Manager of the Bank of Mongolia shall exercise the following powers.

- 1) To determine personnel's and salary fund of the Bank of Mongolia and appoint, release, reward, and impose disciplinary punishments to employees;
- 2) Other powers specified in legislation.

Article 29. Prohibited activities for Bank of Mongolia employees

1. It is prohibited for employees of the Bank of Mongolia to engage in the following activities:

- 1) representing the interests of any individual and legal entities;
- 2) procuring advantageous or preferred conditions for him/herself or family members, relatives, business counterparts or other acquaintances;
- 3) disclosing to others official information relating to accounts, account transactions or payments of any bank, legal person or individual, or relating to any agreement or contract on banking activities, unless the law provides otherwise;
- 4) to pursue any other activities prohibited by legislation.

2. Unless the law provides otherwise, employees of the Bank of Mongolia shall maintain the confidentiality of documents and information obtained during the course of their duty and for a period of one year after being discharged from duty.

CHAPTER SIX

Relations of the Bank of Mongolia with Others

Article 30. Relations of the Bank of Mongolia with the State Ikh Khural

1. The Bank of Mongolia shall report to the State Ikh Khural on the State monetary policy, implementation of relevant legislation and the money and credit situation every quarter.

2. The Bank of Mongolia shall report and provide explanations to the State Ikh Khural if the targets set in monetary policy guidelines have not been achieved due to the condition of economy being beyond the control of the activities of the Bank of Mongolia.

3. The Bank of Mongolia shall submit its annual financial report to the State Ikh Khural.

4. The State Ikh Khural shall monitor whether the activities of the Bank of Mongolia are consistent with legislation but shall not interfere in activities relating to the implementation of State monetary policy by the Bank of Mongolia.

Article 31. Relations of the Bank of Mongolia with the Government

1. Relations of the Bank of Mongolia with the Government shall be regulated in accordance with the provisions of articles 17, 18, and paragraph 5 of article 21 of this law.

2. The Bank of Mongolia shall be independent from the Government.

3. If a decision taken by the Government is contradictory to State monetary policy, the Bank of Mongolia shall inform the Government of the conflict.

4. The President of the Bank of Mongolia may attend Cabinet meetings and consult on issues relating to the Bank of Mongolia and banking activities.

5. The Bank of Mongolia shall submit information on monetary statistics and its annual report to the Government.

Article 31¹. The Bank of Mongolia's Interaction with the Financial Regulation Committee

1. The Bank of Mongolia shall produce a tripartite memorandum of understanding on collaboration with the Financial Regulation Committee and Central State Administrative organization in charge of financial issues.

2. The Bank of Mongolia shall abide by a memorandum of understanding specified in Article 31.1 of this law when it interacts with the Financial Regulation Committee.

Article 32. Relations of the Bank of Mongolia with banks

1. The Bank of Mongolia shall communicate with banks in accordance with the provisions of articles 12, 13, 16, 19 and 20 of this law and the banking legislation.

2. When carrying out its monitoring functions the Bank of Mongolia shall not interfere with the internal affairs of any bank which is conducting its operations in compliance with the law.

Article 33. Foreign relations of the Bank of Mongolia

1. The Bank of Mongolia shall maintain relationships with international and foreign

banks and financial and credit institutions in relation to State monetary policy and banking activities in compliance with the interests of Mongolia and with the laws and international treaties of Mongolia.

2. The Bank of Mongolia may represent the State on matters related to its full powers at inter-Governmental meetings and/or consultations.

3. The Bank of Mongolia may provide banking services to foreign Governments, central banks and international organizations of which Mongolia is a member on the basis of relevant agreements reached with such bodies.

4. The Bank of Mongolia may become a member of and co-operate with foreign banking and financial organizations.

5. When acting as a fiscal intermediary of the Government, the Bank of Mongolia shall perform transactions with the international organizations of which Mongolia is a member in accordance with paragraph 3 of article 17 of this law.

Article 34. Statements of the Bank of Mongolia

1. The Bank of Mongolia shall publicize information on changes in the implementation and instruments of monetary policy, and on the state of monetary developments and the financial markets every quarter.

2. The Bank of Mongolia shall issue a monthly bulletin on monetary statistics.

3. The Bank of Mongolia shall have the right to require information, reports and indices from banks, individual and legal entities in order to compile the information it must provide under paragraphs of 1 and 2 of this article.

4. The Bank of Mongolia may publish statistical information and reports in compliance with the laws.

CHAPTER SEVEN

Paid in Capital of Bank of Mongolia and Allocation of Income

Article 35. Paid in Capital

1. The Bank of Mongolia shall have paid in capital to allow it to perform its activities. The paid in capital shall consist of an share capital, a general reserve fund, other funds and net income.

2. If there is a deficit between the sum of the Bank of Mongolia's assets and the sum of its liabilities its paid in capital, the Government shall, within two months of the announcement of such deficit by the Bank of Mongolia, take measures to cover that deficit by issuing obligations at market interest rates for the amount of the deficit and placing them in the Bank of Mongolia.

Article 36. Share capital

1. The share capital of the Bank of Mongolia shall be no less than five billion togrogs and any changes in the share capital shall be introduced solely by law.

2. The State Ikh Khural shall set the amount of the equity of the Bank of Mongolia in accordance with paragraph 1 of this article and at the proposal of the Bank of Mongolia.

Article 37. Determination of net income

1. In determining the net income of the Bank of Mongolia for a financial year the following principles shall be observed:

1) total income and expenditure shall be accrued and estimated in accordance with the relevant procedure;

2) a reserve fund shall be established for bad debts, asset depreciation and for measures of social development;

3) the valuation of assets and liabilities shall be reassessed according to the relevant methodology.

2. The Bank of Mongolia shall determine rules which shall apply to the estimation of accrued income and expenditure, the establishment of a general reserve and the revaluation of assets and liabilities for the purposes of paragraph 1 of this article.

3. In determining the revaluation of assets and liabilities the Bank of Mongolia shall be guided by the following principles:

1) if there is a difference between the value of the assets and precious metals of the State foreign currency reserve and the value of the equity fund after the revaluation of those funds that difference shall be made up from assets in the revaluation fund;

2) if by the end of the financial year it is not possible to make up such difference from the revaluation fund and the general reserve fund the Government shall, within four months after the end of that financial year, issue obligations at market interest rates and place them with the Bank of Mongolia.

4. The net difference between the revaluation of assets and liabilities and any investment income earned by the Bank of Mongolia by issuing State foreign currency reserves shall be included in the computation of net income of the Bank of Mongolia.

Article 38. Allocation of net income of the Bank of Mongolia

1. The net income of the Bank of Mongolia shall be allocated according to the following priorities:

1) no less than 40 percent of net income shall go to the General Reserve fund;

2) repayment of Government obligations which have been transferred pursuant to paragraph 2 of article 35 of this law;

3) any remaining balance of net income after deducting the amounts provided for in paragraphs 1 and 2 of this article shall be transferred to the State budget.

2. Deleted.

CHAPTER EIGHT

Financial Statements and Accounts of the Bank of Mongolia

Article 39. Financial year of the Bank of Mongolia

The financial year of the Bank of Mongolia shall be the calendar year.

Article 40. Financial report of the Bank of Mongolia

1. The financial report of the Bank of Mongolia shall be completed in accordance with generally accepted accounting rules.

2. Every year the financial statements of the Bank of Mongolia shall be certified by an auditing organization and presented to the State Ikh Khural.

Article 41. Financial statements

The financial statements of the Bank of Mongolia shall consist of balance sheet, income and expenditures and other relevant reports and additional explanatory and clarification notes.

CHAPTER NINE

Miscellaneous Provisions

Article 42. Liabilities

If a violation of the Law on the Central Bank does not constitute a criminal offence, the supervisor appointed by the Bank of Mongolia shall impose administrative sanctions on the guilty party in accordance with legislation.

Article 43. Coming into force

This law shall come into force on 1 October, 1996.

**VICE-CHAIRMAN OF THE STATE
IKH KHURAL OF MONGOLIA**

TS.ELBEGDORJ