

**Unofficial translation**

**LAW OF MONGOLIA ON CENTRAL BANK (BANK OF MONGOLIA)**

September 3, 1996

**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, Law on Debt Management, this Law and other legislative acts issued in conformity with them.

*/This article was amended by the Law dated February 18, 2015/*

**Article 2<sup>1</sup>. Scope of the Law**

Unless the Law provides otherwise, this Law shall not regulate the Development Bank of Mongolia’s operations.

*/This Article was revised according to the Law dated February 10, 2017/*

**Article 3. Legal status of the Central Bank of Mongolia**

1. The Central Bank of Mongolia shall be the authority to develop and implement State Monetary Policy within the territory of Mongolia. The Central Bank of Mongolia shall be called the Bank of Mongolia. The Bank of Mongolia headquarters shall be located in the capital city of Mongolia.

*/This Section was revised according to the Law dated 12th of January 2018 to become effective from April 1, 2018/*

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

**Article 4. Primary Objective of the Bank of Mongolia**

1. The primary objective of the Bank of Mongolia shall be to ensure stability of the national currency - togrog.
2. The Bank of Mongolia shall contribute to the balanced development of the national economy by the way of ensuring stability of financial markets and the banking system within the scope of its primary objective.

#### **Article 5. The Bank of Mongolia Functions**

*/This Article was amended by the Law of January 12, 2018 and shall be effective from April 01, 2018/*

1. The activities of the Bank of Mongolia shall have the following functions within the scope of the objectives stated in Article 4 of this Law:
  - 1) Issuing banknotes into circulation and regulating them;
  - 2) Monetary policy development and implementation;
  - 3) Act as a fiscal agent for the Government;
  - 4) Supervise and regulate the activities of banks and other entities specified by laws;
  - 5) Manage, coordinate and monitor the National Payment System and its activities;
  - 6) Hold and manage state international reserves;
  - 7) Protect legal rights and interests of bank customers and depositors,
  - 8) Implement macro prudential policies;

## **CHAPTER TWO Currency of Mongolia**

#### **Article 6. Exclusive right to issue banknotes and coins into circulation**

1. Issuance banknotes and coins of Mongolia into circulation shall be the exclusive right of the Bank of Mongolia.
2. It shall be prohibited to produce and issue counterfeit banknotes and coins into circulation.

#### **Article 7. Currency unit and its forms**

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

#### **Article 8. Legal tender**

1. Togrogs issued into circulation by the Bank of Mongolia shall, without any limitation, be legal tender of payment accepted at their face value in every settlement conducted throughout the Republic of Mongolia.

2. The Bank of Mongolia may authorize use of other negotiable instruments in substitution for the togrog.

*/This Section was revised by Law of May 31, 2017/*

#### **Article 9. Bank of Mongolia activities related to banknotes**

1. The Bank of Mongolia shall conduct activities to maintain an adequate structure of currency in the circulation by the way of issuing and withdrawing currency from circulation.

2. The Bank of Mongolia shall organize and procure printing, delivery, safekeeping and stock building and maintenance of the currency and shall determine the validity of currency and replace and destroy worn-out and damaged banknotes and coins.

3. The Bank of Mongolia shall approve guidelines for replacement of worn-out and damaged banknotes and coins. It is prohibited to destroy any currency without of the Bank of Mongolia approval.

#### **Article 9<sup>1</sup>. Combating counterfeit currency**

1. The Bank of Mongolia shall determine if the currency is counterfeit or genuine.
2. The Bank of Mongolia shall destroy counterfeit currency.
3. The Bank of Mongolia shall approve procedures for determining whether currency is counterfeit or not, receive information on counterfeit and suspected currencies as well as destruction of counterfeit currencies.

*/This Article was added by the Law of January 28, 2010/*

### **CHAPTER THREE**

#### **Bank of Mongolia Activities**

#### **Article 10. Develop and implement monetary policy**

1. The Bank of Mongolia shall develop and implement State Monetary Policy.

2. The Bank of Mongolia shall develop State Monetary Policy for the next year, and present it to the State Ikh Khural by October 1 of each year. The policy shall contain the following issues:

1. Progress report on implementation of the monetary policy guidelines for the current year and current situation of financial markets with conclusions explaining factors and rational behind the developments;

*/This Clause was amended by the Law of January 28, 2010/*

2. Monetary policy targets for the coming year, projections on togrog exchange rate trends which may affect monetary policy as well as on factors which may affect financial markets.

*/This Clause was revised by the Law dated January 28, 2010/*

### **Article 11. Monetary policy instruments**

*/This Article was revised by the Law of January 12, 2018 and shall be effective from April 01, 2018./*

1. The Bank of Mongolia may use the following instruments to implement State Monetary Policy:

1. required reserves provisioning by the banks as well as prudential ratios;
2. granting loans to banks – use of financial instruments;
3. pursuing unified interest rate policy;
4. conducting open market operations;
5. Imposing a ceiling on loans outstanding to be granted by banks.

### **Article 12. Required reserves of banks**

1. The Bank of Mongolia shall require banks to maintain certain amount of *reserves* that must be held by a commercial bank as a percentage of the balance of deposits and current accounts of individuals and legal entities and other liabilities of the bank to be determined by the Bank of Mongolia.

*/This Section was amended by the Law of January 28, 2010/*

2. The Bank of Mongolia shall set bank reserve requirements up to 30 percent and it may set different reserve requirements depending on type and duration of public deposits mobilized.

*/This Section was revised by the Law dated January 28, 2010/*

3. Bank reserves may be held in the form of cash holdings or in the form of current accounts balances with the Bank of Mongolia.

4. Bank of Mongolia may pay interest on part of reserves above the minimum requirements.
5. The Bank of Mongolia shall impose penalty on banks failing to maintain reserve requirements. The maximum penalty rate shall not exceed the highest interest charged by the Bank of Mongolia to the banks plus 5 percentage points.
6. The Bank of Mongolia shall issue Regulation on determining, calculation and supervision over the reserve requirements.

[/This Section was amended by the Law of January 12, 2018 and shall be effective 1 April 2018./](#)

#### **Article 13. Lending to banks and use of financial instruments**

[/This Article was revised by the Law dated January 12, 2018 and shall be effective April 01, 2018./](#)

1. The Bank of Mongolia may grant credit or use financial instruments in order to manage excess or deficit monetary reserves in the money market.
2. The Bank of Mongolia shall approve Regulations concerning terms and conditions as well as application procedures of credit to be granted or financial instruments.

#### **Article 14. Unified interest rate policy**

The Bank of Mongolia shall pursue a unified interest rate policy by setting interest on credits it grants and Central Bank bills and discount rate.

#### **Article 15. Open market operations**

1. In order to implement its monetary policy, the Bank of Mongolia shall have the right to conduct open market operations by issuing securities, their repurchase and direct sale, and by purchasing and selling papers secured by Government securities and assets accepted by the Bank of Mongolia.

[/This Article was revised by the Law dated January 28, 2010/](#)

#### **Article 16. Imposing ceiling on banks' loans outstanding**

The Bank of Mongolia may impose a ceiling on loans outstanding that may be extended by banks to individuals and legal entities if it considers that the monetary policy instruments provided for in Sections 1- 4, Article 11 of this Law are not sufficient.

[/This Article was amended by the Law dated January 28, 2010/](#)

### **Article 17. Role of the Government' fiscal agent**

1. As the Government's fiscal agent, the Bank of Mongolia may conduct the following operations:

1. holding at the Bank of Mongolia the Treasury Single account at request of the Minister of Finance and conducting Government banking transactions in accordance with the agreement terms and conditions;

*/This Clause was amended by the Law dated January 28, 2010/*

*/This Clause was amended by the Law dated May 31, 2017/*

2. Act as sales agent of Government securities to other entities at the Government request and purchase and sale of such securities if it is in compliance with the State Monetary Policy objectives and the current market conditions;

*/This Section was amended by the Law dated January 28, 2010/*

3. Conduct payment transactions with respect to Government's foreign loans and foreign loans of legal persons which the Government has guaranteed, within the balance amount of Treasury Single account in accordance with the repayment schedule for such loans;

*/This Section was amended by the Law dated January 28, 2010/*

4. Conduct other intermediary activities in compliance with legislation.

5. Activities specified in Section 11.1 of the Debt Management Law.

*/This Clause was added by the Law dated February 18, 2015/*

### **Article 18. Lending to the Government**

1. The Bank of Mongolia may purchase short-term Government securities or lend to the Government with a condition to be repaid before the end of the fiscal year to fill seasonal gap between budget revenues and expenditures in the current fiscal year.

*/This Section was revised by the Law dated January 12, 2018 to be effective April 01, 2018./*

2. The total outstanding temporary loans shall not exceed 10 percent of average of domestic budget revenues in the preceding three years. State budget domestic revenues shall not include income from selling Government assets, domestic borrowing or Government securities.

*(This Section was amended by the Law of January 28, 2010)*

3. If the Bank of Mongolia purchased Government issued securities; it shall be included in the Loans outstanding to the Government. Long-term government securities purchased under short-

term repurchase agreements set forth in Section 1 of Article 15 of this Law shall not be included in the total amount of short-term credit balances specified in Section 2 of this Article.

*/This Section was amended by the Law dated 21 July 1999/*

*(This Section was amended by the Law of January 28, 2010)*

*/This Section was amended by the Law dated January 12, 2018 effective from April 1, 2018/*

4. The Bank of Mongolia shall not possess and manage Government's foreign loans and grants without authorization of the Government.

*/This Section was added by the Law dated August 20, 1998/*

5. The Bank of Mongolia shall approve guidelines for granting credit to the Government in accordance with this Law.

*/This Section number has been modified by the Law dated August 20, 1998/*

#### **Article 19. Supervision of banking activities**

*/This Article was revised by the Law of January 12, 2018 and will be effective from April 1, 2018. /*

1. In order to protect bank depositors and clients' interests and to strengthen the soundness of the banking system, the Bank of Mongolia shall issue and supervise over implementation of rules, procedures, regulations, guidelines and other decisions with regards to issuing banking license, permits for banking operations, ensuring banks capital adequacy and liquidity requirements, regulating its activities, and taking enforcement measures.

2. Bank establishment, operational and other relevant licenses and permits as well as their revocation, setting basic principles of banking management and putting restrictions, requirements and supervision and monitoring over banking activities, taking enforcement actions on banks and bank holding groups shall be regulated by relevant laws.

#### **Article 19<sup>1</sup>. Granting a special license to conduct credit information activities and supervision over them**

1. For the purpose of ensuring stability of financial sector, activities concerning granting, revoking, suspending and cancelling license to conduct credit information operations and supervision shall be regulated by laws.

*/This Article was added by the Law dated October 20, 2011/*

#### **Article 19<sup>2</sup>. Supervising operations of Deposit Insurance Corporation**

1. For the purpose of protecting interest of depositors and ensuring financial sector stability, the Bank of Mongolia shall supervise on implementation of legislation related to bank deposit insurance and regulations and rules issued in accordance of this legislation.

*/This Article was added by the Law dated January 10, 2013/*

#### **Article 20. Management, regulation and supervision over National Payment System and its operations**

1. The Bank of Mongolia shall manage, regulate and supervise over National Payment System and its operations.

2. Relations concerning National Payment System and its operation shall be governed by the Law on National Payment System.

*/This Section was revised by the Law dated 31 May 2017/*

#### **Article 20<sup>1</sup>. Central Bank Lending in a Liquidity Crisis**

1. The Bank of Mongolia (BOM) may provide Central Bank Lending in a Liquidity Crisis to a solvable bank temporarily experiencing liquidity issues if The Bank of Mongolia considers that the bank is able to resolve its liquidity problems through its own operations, and is able to repay the loan in due time. Such lending shall be secured by Government securities, BOM securities, current accounts and deposits with BOM, other assets acceptable to the BOM.

2. The Bank of Mongolia shall determine the total amount of loans referred to in Section 1 of this Article and determine the amount of loans to be granted to each bank within the limits of the bank's ability to borrow.

3. The Bank of Mongolia shall approve and disclose to the public list of assets acceptable to BOM specified in Section 1 of this Article.

4. The Bank of Mongolia may grant loans to banks in compliance with the Banking Law in case if it resolves to undertake bank restructuring measures.

5. The Bank of Mongolia shall approve the common procedures for Central Bank lending in accordance with this Law.

*/This Article was added by the Law dated January 12, 2018 and will be effective from April 1, 2018. /*

#### **Article 21. Holding and managing state international reserves**

*/The title of this Article was amended by the Law dated January 28, 2010/*



1. The Bank of Mongolia shall commit to ensuring liquidity and security of state international reserves which it holds and manages. Only after these conditions are met the Bank of Mongolia may conduct income earning operations using state international reserves by the way of investing in instruments tradable in the financial markets.

*/This Section was amended by the Law dated 28 January 2010/*

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

1. monetary gold deposited at foreign banks and financial institutions;
2. freely convertible foreign currencies held in cash or non-cash form;
3. bills of exchange and promissory notes held in freely convertible foreign currencies;
4. any type of securities issued or guaranteed by the Governments or central banks of foreign countries or international financial institutions, denominated and is to be paid in freely convertible foreign currencies;

*/This Clause was amended by the Law dated January 28, 2010/*

5. Other assets internationally recognized as international reserves.

3. When managing state international reserves, the Bank of Mongolia may conduct operations to freely convert, purchase and sale of the components of the foreign exchange reserves specified in Section 2 of this Article.

*(This Section was amended by the Law of January 28, 2010)*

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

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

#### **Article 22. Foreign exchange regulation**

1. The Bank of Mongolia shall implement foreign currency regulations in accordance with the Laws.

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

#### **Article 22<sup>1</sup>. Implementing macro prudential policies**

1. The Bank of Mongolia shall develop and implement macro-prudential policies using instruments specified in Section 1 Article 11 of this Law in order to prevent and mitigate risks to monetary policy implementation and adverse impact risks to the banking and financial system on basis of determining and assessing such risks.

*/This Article was added by the Law dated January 12, 2018 and will be effective from April 1, 2018. /*

### **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 financial grant to individuals or legal entities;
2. purchase and sale of movable or immovable property for profit;
3. taking deposits from or granting credit or providing transaction services to individuals or legal persons other than the Government, banks, Deposit Insurance Corporation, Future Heritage Fund Corporation, direct participants and operators specified in the Law on National Payment System;

*/This Clause was amended by the Law dated 10 January 2013/*

*/This Clause was amended by the law dated February 5, 2016/*

4. Contributing to the paid-in capital of a legal person, purchase and sale of securities;

*/This Clause was amended by the Law dated 21 July 1999/*

5. issuing loan, payment and/or bank guarantees for individuals, legal entities other than the Government and banks;

*/This Clause was added by the Law dated June 20, 2003/.*

6. Pledge of gold and reserve assets to support loans from domestic and foreign borrowing of legal entities and citizens;

*/This Clause was added by the Law dated June 20, 2003/*

7. Make balance sheet and off-balance sheet transactions which create economic or commercial advantages for persons, legal entities or specific banks, or for specific economic sectors, except as otherwise provided by law.

*/This Clause was added by the Law dated June 20, 2003/*

*/This Clause was revised by the Law dated January 12, 2018 to be effective from April 1, 2018./*

2. The following activities by the Bank of Mongolia shall not be subject to Section 1 of this Article:

1. purchasing any property or securities referred to in Clauses 2 and 4, Section 1 of this Article for the purpose of debt recovery with the payment obligation execution exceeding one year exceeds one year, provided that they will be disposed of within a feasible period;

*/This Clause was revised by the Law dated January 12, 2018 to be effective from April 1, 2018./*

2. 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. Providing working environment not worse than specified in the Law on Civil Service, granting financial aid to and paying for the expenses of its employees in accordance with legislation.

*/Additions were made to this Clause by the Law dated January 28, 2010/*

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 may create risk in the National Payment System.

*/This Clause was added by the Law dated 21 July 1999/*

5. For the purpose of ensuring financial market stability, the Bank of Mongolia shall grant credit to the Deposit Insurance Corporation as specified in Laws.

*/This Clause was revised by the Law dated January 12, 2018 and shall be effective from the 1st of April 2018./*

6. Require commercial banks to provide information in accordance with General Law of Taxation, and take enforcement measures.

*/This Clause was added by the Law dated March 22, 2019/*

## **CHAPTER FOUR**

### **Bank of Mongolia supervision over National Payment System and its operations and of banks**

*/This Chapter title is amended by the Law dated 31 May 2017/*

#### **Article 24. Powers of the Bank of Mongolia to conduct supervision over National Payment System and its operations and of banks**

*/This Article title is amended by the Law dated 31 May 2017/*

1. The Bank of Mongolia shall have the power to supervise and undertake enforcement measures to banks within the framework of the banking legislation implementation as well as conduct supervision and take measures regarding the National Payment System and its activities within the framework of the National Payment System related legislation implementation.

*/This Section was revised by the Law dated January 28, 2010/*

*/This Section was amended by the Law dated May 31, 2017/*

2. The supervision by the Bank of Mongolia shall be carried out by the supervisor and controller appointed by the Governor of the Bank of Mongolia.

*/Additions were made to This Section the Law dated 21 July 1999/*

3. The Bank of Mongolia may grant emergency liquidity lending to the bank under conservatorship within the enforcement framework specified in Section 1 of this Article in order to protect financial and banking system from systemic risks.

*/This Section was added by the Law dated January 28, 2010/*

#### **Article 25. Powers of Bank of Mongolia supervisor**

1. The supervisor appointed by the Bank of Mongolia shall review and examine banks with regard to the implementation of and compliance of individuals, legal entities and banks with the banking legislation, State Monetary Policy, the rules and regulations of the Bank of Mongolia, and the Decisions of the Bank of Mongolia Governor. The supervisor shall have the powers of a state inspector.

*/Additions were made to This Section by the Law dated 21 July 1999/*

2. The Bank of Mongolia supervisor shall exercise the following powers:

1. to enter into the premises, offices and other related places of participants and operators of the national payment system, authorised legal entities operating in connection with payment service, persons providing outsourcing services to them, settlement agents, contracted agents and that of banks;

*/This Clause was revised by the Law dated May 31, 2017/*

2. to examine a bank's accounts, books, reports, balance sheets and financial statements, as well as equipment, other items deemed necessary from participants and operators of the national payment system, authorised legal entities operating in connection with payment service, persons providing outsourcing services to them, settlement agents, contracted agents and that of banks as well as to require preparation of explanations and references, and to ask questions and get answers to them;

*/This Clause was revised by the Law dated May 31, 2017/*

3. to receive free of charge references, copies of evidence and documentation required from participants and operators of the national payment system, authorised legal entities operating in connection with payment service, persons providing outsourcing services to them, settlement agents, contracted agents and bank's customers, including individual and legal entities, banks and financial and other institutions;

*/This Clause was amended by the Law dated July 21, 1999/*

*/This Clause was revised by the Law dated May 31, 2017/*

4. to examine documents of legal entities and individuals which related to their banking activities;

*/This Clause was amended by the Law dated July 21, 1999/*

5. to impose administrative sanctions on guilty participants and operators of the national payment system, authorised legal entities operating in connection with payment service, persons providing outsourcing services to them, settlement agents, contracted agents and banks, persons related to their activities found in violation with the banking legislation;

*/This Clause was amended by the Law dated December 4, 2015/*

*/This Clause was revised by the Law dated May 31, 2017/*

6. to transfer the relevant documents to the competent authorities if a violation of the legislation represents a criminal offence;
7. To stop payment of dividends to the bank shareholders if the bank failed to meet prudential ratio requirements or the requirement to establish necessary provisions against potential losses on loan repayments.
8. to have access to equipment and software used in their financial operations and make copies of reports, statements and electronic information of banking operations either in form of soft copy or in other forms of participants and operators of the national payment system, authorised legal entities operating in connection with payment service, persons providing outsourcing services to them, settlement agents, contracted agents and a bank.

*/This Clause was added by the Law dated January 28, 2010/*

*/This Clause was revised by the Law dated May 31, 2017/*

3. The following guarantees shall be provided to a Bank of Mongolia supervisor in performing her/his duties:

1. The Bank of Mongolia and its supervisor shall not be liable for a loss caused by the bank's failure to fulfill its obligations or any damage (s) incurred to that particular bank or a third party due to fulfillment of the legitimate demands imposed by the supervisor;
2. The state shall protect Bank of Mongolia supervisor and her/his family members in case of any threats, intimidation, and any unlawful acts which may adversely affect her/his life or health and those of her/his family members associated with her/his official duties;
3. In case a supervisor incurs health damage and/or loses her/his life on her/his duty, she/he and/or her/his family shall be eligible for the pensions, allowances, and cost reimbursed in accordance with the Regulations set by the Bank of Mongolia.

[/This Clause was added by the Law dated January 28, 2010/](#)

4. The Bank of Mongolia shall cover the legal assistance cost and other expenses incurred by supervisor in litigation proceedings with respect to his/her supervisory decision exercising powers provided by law.

[/This Clause was added by the Law dated January 29, 2021/](#)

4. It is prohibited for the President of Mongolia, the Speaker of the State Ikh Khural, the Prime Minister, a member of the State Ikh Khural, and a member of the Government, other government organizations, officials, banks, any person, or legal entity to interfere in or influence the Bank of Mongolia and its supervisor's exercise of supervision powers and responsibilities provided by law.

[/This Section was added by the Law dated January 29, 2021/](#)

5. A competent official exercising supervisory powers of the Bank of Mongolia or supervisor shall record any influence statement on impediment, any pressure, interference, or influence of the exercising of its powers in accordance with the regulations approved by the Governor of the Bank of Mongolia and shall notify the relevant authority according to the law.

[/This Section was added by the Law dated January 29, 2021/](#)

#### **Article 25<sup>1</sup>. 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 her/his period of appointment;
  2. To participate, without voting rights, in the bank's Board of Directors meetings and meeting of shareholders, and provide advice on issues discussed;

3. In case of non-compliance of legislation is revealed, to give instructions to take corrective actions within a specific time period and ensure its implementation.
4. The powers of supervisor, specified in this Law.

*/This Clause was added by the Law dated 21 July 1999/*

**Article 25<sup>2</sup>. Grounds of the Bank of Mongolia supervisor and controller to refuse conducting supervision**

1. Any supervisor and controller appointed by the Bank of Mongolia shall have the right to refuse to conduct supervision in the following circumstances:

1. had employment with that particular participant and operator of the national payment system, authorised legal entities operating in connection with payment service, persons providing outsourcing services to them, settlement agents, contracted agents and a bank in the previous 2 years;

*/This Clause was revised by the Law dated May 31, 2017/*

2. if any of relatives (parents, children, brother, sister, in-laws who live separately) hold managerial position (shareholder, Chairman or Member of Board of Directors, Director or Deputy Director, chief accountant or any other equivalent position) with that particular bank;

*/Article 25<sup>2</sup> above has been added by Law dated January 28, 2010/*

**Article 25<sup>3</sup>. Supervision over legal entities providing credit information services**

1. The Bank of Mongolia shall conduct oversight of the legal entities engaged in credit information services as specified in Article 24 of this Law.

2. The Bank of Mongolia shall examine any complaints related to operations of the credit information fund and to provide relevant persons with an obligation to correct information.

3. The Bank of Mongolia shall review audit report on operations of the legal entities engaged in credit information services on an annual basis.

*/This Article was added by the Law dated October 20, 2011/*

**CHAPTER FIVE**  
**The Bank of Mongolia Management**

## **Article 26. The Bank of Mongolia Management**

1. The Bank of Mongolia shall be headed by the Governor appointed by the State Ikh Khural and she/he shall be accountable to and shall report to the State Ikh Khural. The State Ikh Khural shall hold a candidate hearing and appoint the Governor of the Bank of Mongolia at the proposal of The Chairman of the State Ikh Khural for a period of six year term.

[/This Section was amended by the Law dated December 24, 2021/](#)

2. The State Ikh Khural shall hold a candidate hearing and appoint the Bank of Mongolia's First Deputy Governor and Deputy Governor for six years at the proposal of the Bank of Mongolia's Governor.

[/This Section was amended by the Law dated December 24, 2021/](#)

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

4. In the absence of the Bank of Mongolia Governor, the First Deputy Governor and in her/his absence of the Governor and the First Deputy Governor both, the Deputy Governor respectively shall perform as an Acting Governor of the Bank of Mongolia.

5. The State Ikh Khural shall approve the index of determining the amount of salary for the Governor, the First Deputy Governor and the Deputy Governor of the Bank of Mongolia.

[/This Section was revised by the Law dated 12 January 2018 to be effective from April 1, 2018./](#)

6. The Governor, the First Deputy Governor or the Deputy Governor of the Bank of Mongolia shall be dismissed from their positions in the following circumstances:

1. if she/he becomes a shareholder of a commercial bank;
2. if she/he undertook an action /or non-action/ against the interests of the Bank of Mongolia;
3. at her/his own request for discharge due to inability to fulfill official duties because of ill-health or for other serious reason;
4. unsatisfactory fulfillment of duties;
5. she/he is convicted of a criminal offence by a Court;
6. If some other conflict of interest arises.



7. It is prohibited for former the Bank of Mongolia Governor, First Deputy Governor and Deputy Governor of to occupy managerial positions in banks for a period of one year after their retirement.

8. The full authority of the Bank of Mongolia Governor, First Deputy Governor and Deputy Governor shall be effective from the date of their appointment and shall expire upon appointment of the Bank of Mongolia next Governor, First Deputy Governor and Deputy Governor by the State Ikh Khural.

*/This Section was added by the Law dated January 28, 2010/*

#### **Article 27. Bank of Mongolia Committees**

*/This Article was revised by the Law of January 12, 2018 and will be effective from April 1, 2018. /*

1. The Bank of Mongolia shall have the Monetary Policy Committee, the Banking Supervision Committee.
2. The Bank of Mongolia Governor may set councils with advisory powers on issues other than as specified in Clause 4, Article 27<sup>3</sup>, Clause 1, and Article 27<sup>4</sup> of this Law.

#### **Article 27<sup>1</sup>.The Bank of Mongolia Supervisory Board**

1. A non-staff Supervisory Board shall operate with powers to oversee the Bank of Mongolia internal audit activities, implementation of recommendations by the external auditor and status of investment package, reporting and disclosing the financial reports to the State Ikh Khural and public and performance of the Bank of Mongolia Council. The Supervisory Board operational procedures shall be set by the State Ikh Khural.

2. The Supervisory Board shall not intervene in any form on matters related to monetary policy decision making.

3. The Supervisory Board shall consist of a Chairman and 6 members. The Chairman and members of the Supervisory Board shall be appointed and released by State Ikh Khural on the basis of recommendation from Economic Standing Committee of State Ikh Khural.

4. The Chairman and members of the Supervisory Board shall have professional background in banking, finance, economics or law, have professional experience in those fields, be suitable on ethical grounds and satisfy the following requirements:

1. Be a citizen of Mongolia, older than 30 years of age, having no previous criminal records;

2. Have degrees equivalent to or a higher than Master's degree in banking, finance, economics or law;

5. Person, previously employed in a state organization(s) in charge of banking, finance or economics sector can be appointed as member or Chairman of the Supervisory Board.

6. A person, who is currently a Member of State Ikh Khural, a Cabinet Member, a civil servant, a Member of the Constitutional Court, a judge, a prosecutor, or management position holder at the Bank of Mongolia, shall not be appointed as a Chairman or a Member of the Supervisory Board.

7. A Chairman or a Member of the Supervisory Board may be released from her/his duties under the following circumstances:

1. At her/his own request to resign due to inability to perform official duties because of health or for other good reasons;

2. Unsatisfactory performance of duties;

3. Criminal offence was proven by a Court;

4. Any conflict of interest arises.

8. A Chairman or Members of the Supervisory Board shall not be released from their duties for any reasons except those specified in Section 7 of the Article 27<sup>1</sup> of this Law.

9. Supervisory Board will exercise the power specified in Section 1, Article 27<sup>1</sup> in the following manners:

1. Discuss activities of the Bank of Mongolia Council according to the regulations set;

2. Correspond and exchange views with auditors of the Internal Audit Department of the Bank of Mongolia or auditors of audit firm conducted audits of the Bank of Mongolia financial statements;

3. submit a proposal to carry out inspection or audit on activities of the Bank of Mongolia on any matters related to the management and check certain transactions if deemed necessary;

4. Submit its own report when the Bank of Mongolia submits its report to the State Ikh Khural according to the Article 30 of this Law.

*/This Clause was added by the law dated June 20, 2003/*

**Article 27<sup>2</sup>. Financial Stability Council**

*/This Article was revised by the Law of January 12, 2018 and will be effective from April 1, 2018./*

1. The Financial Stability Council (hereinafter referred to as the "Council") shall be responsible for discussions and members activities coordination on early warning, monitoring and mitigation of systemic risks in order to ensure stability of the financial system of Mongolia.
2. The Council shall consist of the Bank of Mongolia Governor, Chairman of Financial Regulatory Commission, Cabinet Member in charge of Finance and Budget, and Executive Director of the Deposit Insurance Corporation.
3. The form of the Council operations shall be meeting.
4. The Council Chapter shall be jointly approved by Council Members.
5. The Council shall discuss the following issues:
  1. news and information to exchange as per the legislation;
  2. conduct joint analysis and jointly define solutions in event of occurrence of potential risks and dangerous situations affecting the financial system stability and balance;
  3. Action plan for crisis prevention and its mitigation plan implementation, its implementation and organization;
  4. Bank re-capitalization issues and its terms and conditions.
  5. Other issues specified in laws.
6. The Council Secretariat functions shall be carried out by the Bank of Mongolia.

**Article 27<sup>3</sup>. Monetary Policy Committee**

1. The Monetary Policy Committee shall consist of the Bank of Mongolia Governor, the First Deputy Governor, the Deputy Governor and other four non-staff members proposed by the Economic Standing Committee of the State Ikh Khural and appointed by the the State Ikh Khural for the six year term.
2. The non-staff Members of the Monetary Policy Committee shall meet the following requirements:

1. shall have at 10 years or more years of experience in university, or academic and research institutions specialized in banking, finance and economics, of which at least 5 years of experience in macroeconomic policy research;
  2. shall not be an executive, influential shareholder, or a related person to the mentioned persons of a bank operating in Mongolia;
  3. shall have no conflict of interest;
3. In order to release non-staff Member Monetary Policy Committee from her/his duties same principle shall be applied as specified in Clause 6, Article 26 of this Law.
4. The Monetary Policy Committee shall discuss and resolve on the following issues:
1. Draft monetary policy;
  2. To set interest rate of monetary policy instruments;
  3. To set rates and amount of reserve requirements and prudential ratios.
5. The form of activities of monetary policy committee shall be meeting.
6. The Monetary Policy Committee shall make a decision by a majority of the members present at the meeting and in the case of equality of votes; the decision shall be made by the chair of the session.
7. The MPC shall meet at least four times a year and shall convene an extraordinary meeting on proposal of The Bank of Mongolia Governor or of at least three members of the MPC.
8. The decision of the monetary policy committee shall be in the form of a decree and shall be signed by the chair of the session to confirm validity.

*/This Article was added by the Law dated January 12, 2018 and will be effective from April 1, 2018. /*

#### **Article 27<sup>4</sup>. Banking Supervision Committee**

1. Banking Supervision Committee shall discuss and make recommendations on the following matters relation the implementation of the Bank of Mongolia banking supervision powers:

1. draft rules, regulations, guidelines, methodologies related to conduct of banking supervision, regulating banking activities in accordance with the laws, as well as those related to enforcement measures to be undertaken with regards to banks;
  2. Bank examination report;
  3. Proposal to issue credit to a bank or Deposit Insurance Corporation aimed at ensuring the stability of a bank and of the banking and financial system.
2. Composition and operational procedures of the Banking Supervision Committee shall be approved by the Bank of Mongolia Governor.

*/This Article was added by the Law dated January 12, 2018 and will be effective from April 1, 2018. /*

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

1. The Bank of Mongolia Governor shall exercise the following powers:

1. to manage and regulate the activities of the Bank of Mongolia, its branches and representative offices and chair the Monetary Policy Committee, represent it, and approve its operational procedures;

*/This Clause was revised by the Law dated January 12, 2018 to be effective since April 01, 2018. /*

2. to make decisions and take actions, taking into account the recommendations of the Bank Supervision Committee on the basis of the legislation and the Resolution of Monetary Policy Committee;

*/This Clause was revised by the Law of January 12, 2018 to be effective since April 01, 2018./*

3. to address directly the Standing Committees of the State Ikh Khural, the Government, and other relevant institutions and to express her/his opinion at Sessions of State Ikh Khural, Standing Committees and Cabinet meetings;
4. to issue guarantee(s) on behalf of the Government or banks in the amount not exceeding its paid-in capital if deemed necessary for conducting Bank of Mongolia activities specified in Chapters Three and Four of this Law.

*/This Clause was amended by the Law dated July 21, 1999/*

*/This Clause was revised by the Law of June 20, 2003/*

5. to set fees for services provided by the Bank of Mongolia and interest rates on loans granted and on yields of securities purchased;

*/This Clause was revised by the Law dated January 12, 2018 to be effective April 01, 2018./*

6. to set the organizational structure of the Bank of Mongolia;

*This Clause was revised by the Law dated January 2, 2003/*

7. to consult with shareholders of a bank on the appointment and discharge of the bank's executive director with respect to her/his 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;

*/Additions were made to this Clause by the Law dated January 28, 2010/*

8. to brief the Government about essential issues required for implementation of State Monetary Policy, and to make joint decisions with the Government;
9. to inform the State Ikh Khural and Government of the conclusions and recommendations of the Bank of Mongolia on implementation of State Monetary Policy and the state of the financial markets on a quarterly basis;
10. to revoke the bank's decision if it is contradictory to the banking legislation and the Bank of Mongolia decision;
11. to take appropriate measures to train and retrain banking professional personnel;
12. to investigate the implementation of this Law, the banking legislation and her/his own decisions by individual and legal entities, and to take measures specified in laws and issue orders to ensure complete implementation;

*/This Clause was amended by the Law dated July 21, 1999/*

13. to revise structure and amount of the bank capital in order to ensure the bank's capital adequacy;

*/This Clause was added by the law dated August 20, 1998/*

14. To approve the Bank of Mongolia's staff code of conducts and ethics.

*/This Clause was added by the Law dated January 28, 2010/*

15. Any other powers specified in the legislation.

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

1. to receive salary and other benefits appropriate for high-ranking State officials;
2. to be supplied with a vehicle and communications equipment;
3. to enjoy diplomatic immunity and privileges while traveling abroad;
4. Other rights and privileges provided for in the Law.

3. The Chairman of the State Ikh Khural shall be notified within twenty four hours if the Governor of Bank of Mongolia is caught and arrested while committing a crime or in possession of evidence of a crime. In other cases, it shall be prohibited to confine the Governor of the Bank of Mongolia without the consent of the State Ikh Khural, to impose administrative penalties on the court and to search for his / her home, work, office or body.

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

5. The Governor of the Bank of Mongolia shall not undertake any other work or position not related to the duties delegated by law during his / her mandate.

6. The State Ikh Khural shall take measures to ensure that the Governor of the Bank of Mongolia upon completion of her/his term shall be appointed to certain positions or to keep their living standards at the same level for one years from the date of dismissal.

#### **Article 28<sup>1</sup>. Powers of the Bank of Mongolia General Manager**

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

1. Determine staffing and salary fund of the Bank of Mongolia, appoint and dismiss employees, and impose disciplinary sanctions;
2. Other powers specified in legislation.

*/This Clause was added by the Law dated January 2, 2003/*

#### **Article 29. Prohibited activities of the Bank of Mongolia employees**

1. The Bank of Mongolia employees shall not to be engaged in the following activities:

1. representing the interests of any individual and legal entities;

*/This Clause was amended by the Law dated July 21, 1999/*

2. procuring advantageous or preferred conditions for her/himself or her/his 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 and Chairman and Members of its Supervisory Board shall maintain the confidentiality of documents and information obtained during the course of their duty even after being discharged from duty.

[This Section was amended by the Law dated June 20, 2003/](#)

3. Members of Council of the Bank of Mongolia shall not be employed in managerial position with any bank within a year of discharge from duty.

[/This Section was added by the Law dated January 28, 2010/](#)

## **CHAPTER SIX**

### **Relations of the Bank of Mongolia with other parties**

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

1. The Bank of Mongolia shall, if necessary, report to the State Ikh Khural on the State Monetary Policy, implementation of relevant legislation and the monetary and credit situation.

[/This Section was amended by the Law dated December 24, 2021/](#)

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 together with auditor's opinion and conclusions as well as opinions and recommendations of its Supervisory Counsel to the State Ikh Khural on an annual basis.

[/This Section was amended by the Law dated 28 January 2010/](#)

4. The State Ikh Khural shall supervise whether the activities of the Bank of Mongolia are compliant with legislation and get introduced to the reports and presentations specified in Clause 4, Section 9, Article 27<sup>1</sup> and in Sections 1-3, Article 30 of this Law, but shall not interfere in activities related to the implementation of State Monetary Policy by the Bank of Mongolia.

[This Section was amended by the Law dated June 20, 2003/](#)



5. In scope of its powers, the Bank of Mongolia shall support the State Khural Khural when the latter of the exercise of the supervisory powers.

*[/This Section was amended by the Law dated December 24, 2021/](#)*

### **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 Section 5 of Article 21 of this Law.

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

3. If the Government's decision is contradictory to the monetary policy, the Bank of Mongolia shall notify the Government thereof.

4. The Governor of the Bank of Mongolia may attend Cabinet meetings with consultative status on issues related 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.

6. The Government shall be prohibited from providing guidance to the Bank of Mongolia in any way and conclude agreements and contracts on issues not specified by laws.

*[/This Section was added by the Law of January 12, 2018 to be effective from April 1, 2018. /](#)*

7. The Bank of Mongolia shall be prohibited from direct or indirect lending to the Government, except as provided in Articles 15 and 18 of this Law. The Bank of Mongolia shall also be prohibited from purchase of long or short-term government securities on primary or secondary markets or from direct purchase of such securities.

*[/This Section was added by the Law of January 12, 2018 to be effective from April 1, 2018. /](#)*

### **Article 31<sup>1</sup>. The Bank of Mongolia's Interaction with the Financial Regulatory Committee**

1. The Bank of Mongolia shall produce a tripartite memorandum of understanding on collaboration with the Financial Regulatory Committee and the State Central Administrative Body Responsible for Financial Matters.

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 Regulatory Committee.

*/This Article was added by the Law dated November 17, 2005/*

### **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 supervisory functions, the Bank of Mongolia shall not interfere with the internal affairs of any bank 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, financial and credit institutions with regards to the State Monetary Policy and banking activities for interests of Mongolia and in compliance with the Laws and international treaties of Mongolia.

2. The Bank of Mongolia may represent Mongolia in intergovernmental meetings and conferences on matters pertaining to its powers.

3. The Bank of Mongolia may provide banking services to foreign governments, central banks and international organizations to which Mongolia is a member in accordance with the relevant agreements and contracts.

4. The Bank of Mongolia may engage in international organizations' membership and cooperate with foreign banks and financial institutions.

5. When acting as a fiscal agent of the Government, the Bank of Mongolia shall execute transactions with the international organizations of which Mongolia is a member in accordance with Section 3 of Article 17 of this Law.

### **Article 34. The Bank of Mongolia Public Statements**

1. The Bank of Mongolia shall publish information on changes in monetary policy instruments on each such occasion, status on money, loans, and financial markets on a quarterly basis.

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 indicators from banks, individuals and legal entities in order to compile the information it must provide under Sections of 1 and 2 of this Article.

*/This Section was amended by the Law dated July 21, 1999/*

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

5. Unless the Law provides otherwise, information on agreements or negotiations made between the Bank of Mongolia and the Government of Mongolia shall be disclosed to the public in due course on each occasion.

*/This Section was added by the Law dated January 28, 2010/*

6. Any legislation approved by the Bank of Mongolia Governor shall be disclosed to the public together with the opinions and recommendations of the Supervisory Board.

*/This Section was added by the Law dated January 28, 2010/*

7. The salary of the Governor, the First Deputy Governor and the Deputy Governor shall be disclosed to the public.

*/This Section was added by the Law dated January 28, 2010/*

## **CHAPTER SEVEN**

### **Capital of Bank of Mongolia and Allocation of Income**

#### **Article 35. Capital**

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

#### **Article 36. Paid-in capital**

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

*/This Section was amended by the Law dated December 28, 2001/*

2. The State Ikh Khural shall set the amount of the paid-in capital of the Bank of Mongolia in accordance with Section 1 of this Article, at the Bank of Mongolia proposal.

#### **Article 37. Determination of the Bank of Mongolia's net income**

1. The following principles shall be adhered to in determining the net income of the Bank of Mongolia fiscal year:

1. total income and expenditure shall be accrued and computed in accordance with the relevant procedure;
2. a reserve fund shall be pre-established for non-performing loans, asset depreciation and for measures of social development in accordance with the relevant procedure;
3. the revaluation of assets and liabilities shall be done according to the relevant methodology;
4. Unrealized net profit generated from revaluation of assets and liabilities denominated in foreign currencies shall be allocated to the relevant fund;

*/This Section was added by the Law of January 12, 2018 to be effective from April 1, 2018. /*

5. Net loss arising from revaluation of assets and liabilities denominated in foreign currencies shall be offset from the unrealized revaluation reserve accounts and general provisions fund, if those are not sufficient the difference shall be left in accumulated loss account.

*/This Section was added by the Law of January 12, 2018 to be effective from April 1, 2018. /*

2. The Bank of Mongolia shall set rules which shall apply to estimation of accrued income and expenditure, establishment of the general reserve fund and the revaluation of assets and liabilities for the purposes of Section 1 of this Article.

3. The net difference between the revaluation of assets and liabilities shall not be included in the computation of net income of the Bank of Mongolia.

*/This Section was revised by the Law dated January 28, 2010/*

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

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. Any remaining balance of net income after deducting the amounts provided for in Sections 1 of this Article shall be transferred to the State budget.

*/This Clause was amended by the Law dated January 2, 2003/*

*/This Clause was amended by the Law dated January 28, 2010/*

**Article 38<sup>1</sup>. Compensating for the Bank of Mongolia loss**

1. If the liabilities of the Bank of Mongolia exceed its assets, the State Ikh Khural will resolve to compensate for this difference by issuing Government Bonds.

*/This Article was added by the Law dated January 28, 2010/*

**CHAPTER EIGHT**

**The Bank of Mongolia Accounts and Financial Statements**

**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 statements of the Bank of Mongolia**

1. The financial statements of the Bank of Mongolia shall be prepared in accordance with international accounting rules.

*/This Section was amended by the Law dated 28 January 2010/*

2. Financial statements of the Bank of Mongolia shall be certified on annual basis.

*/This Section was amended by the Law of January 28, 2010/*

**Article 41. Composition of financial statements**

The Bank of Mongolia's financial statements comprise balance, income, expenditure statements, other relevant reports, additional explanations and clarifications.

**CHAPTER NINE**

**Other provisions**

**Article 42. Liabilities**

An individual or legal person who violates this Law shall be liable to be imposed sanctions provided in the Criminal Code or the Law on Violations.

*/This Article was amended by Law dated December 4, 2015/*

**Article 43. Coming into force**

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

TS. ELBEGDORJ

VICE-SPEAKER OF THE STATE IKH KHURAL OF MONGOLIA