DECREE OF THE GOVERNOR OF

THE BANK OF MONGOLIA

Date: Dec 14, 2011 No. 726 Ulaanbaatar

Re: Regarding amendments to the regulation on setting and monitoring prudential ratios to banking operation

In accordance with the Article 28.1.2 of The Law on Central Bank (The Bank of Mongolia), it is hereby decreed:

- 1. "Minimum requirement on the ratio of Bank Capital to Risk-Weighted Assets" is renewed and approved as shown in the annex to this decree. Compliance of this requirement is set by July 30, 2013.
- 2. The following Articles of the "The regulation on setting and monitoring prudential ratios to banks" approved by decree No. 460 of the Governor of the Bank of Mongolia are to be added as stated below
 - a) "1.5.24. "Systemically important bank" refers to a bank that has a market share of 5 percent or above of the banking sector's assets in the last 6 months."
 - b) "2.1.3. Additional capital requirement for systemically important bank shall be set by the Governor's decree of the BOM, if deemed necessary."
- 3. The following Articles of the "The regulation on setting and monitoring prudential ratios to banks" are to be amended as stated below
 - a) "2.6.1. Aside from the provision stated in the Article 16.3 of the Banking law, in case a bank were to make investment either directly or indirectly via third party to other banks or non-bank financial institutions, 75 percent of the invested capital shall be deducted from the Tier 1 capital whereas the remaining 25 percent shall be deducted from the Tier 2 capital of the bank."
 - b) "B.13, B.14. Government bonds and Government guaranteed bonds"
- 4. The Articles 2 and 3 of this decree shall be effective immediately.

- 5. Subsequent to the release of this decree, The Articles of 2.6.2 and 2.6.3 the "The regulation on setting and monitoring prudential ratios to banks", the Article of 1.a of Decree No. 356 of the Governor of the Bank of Mongolia dated on June 17, 2011 are annulled.
- 6. Herewith the compliance of this decree is assigned to Shareholders, Chairman of Board of Directors, and Executive Directors.
- 7. The enforcement of this decree is assigned to the Supervision Department (Mr. Lkhagvasuren. B).

THE GOVERNOR OF PUREVDORJ. L

THE BANK OF MONGOLIA