

**BANK OF MONGOLIA
POLICY ON PAYMENT SYSTEMS**

One. General Provisions

- 1.1. The Bank of Mongolia policy on payment systems is a documentation describing the objectives, structure of a national payment system and the responsibilities of its participants.
- 1.2. This policy is consistent with the Law on Central Bank, Banking Law, Law on Deposits, Loans and Banking Transactions, Law on Combating Money Laundering and Terrorism Financing, and other relevant legislation.

Two. Objective and Structure of the Payment System

- 2.1. The payment system is defined as a set of instruments, operational infrastructure, procedures, rules, and contractual agreements to transfer monetary claims and settle payment obligations between participants, including the participants and the entity operating the arrangement.
- 2.2. The main objective of the national payment system is to ensure the safety, stability and efficiency of the payment and settlement arrangement for its participants.
- 2.3. In order to achieve the main objective of the payment system, the Bank of Mongolia shall:
 - 2.3.1. promote the use of non-cash payment, introduce new advanced payment instruments and services, establish a legal framework, and develop the payment system infrastructure at par with international standards;
 - 2.3.2. implement sound oversight procedures and have appropriate risk assessment and management framework to prevent the potential risks associated with payment systems.
- 2.4. The national payment system shall consist of the following payment systems:
 - 2.4.1. the large value payment system;
 - 2.4.2. the retail payment system; and
 - 2.4.3. other payment and settlement systems relevant to operation of the financial market infrastructure.
- 2.5. The payment system is a systemically important component of the financial market infrastructure as the risks associated with it can pose significant impact to the financial system and the broader economy and further may affect the financial stability.

2.6. The payment system shall comprise of:

- 2.6.1. the payment instruments;
- 2.6.2. the payment system participants and operator;
- 2.6.3. the relevant legislation; and
- 2.6.4. the infrastructure for processing and communicating payment information.

Three. Responsibilities of the payment system participants

The following entities shall participate in operation of the payment system of Mongolia:

- the Bank of Mongolia (Central Bank);
- the system participants; and
- the system operator.

3.1. Responsibilities of the Bank of Mongolia

3.1.1. In arranging the operation of the national payment system, the Bank of Mongolia shall be responsible for:

- 3.1.1.1. transferring funds between its participants through the systems stated in Article 2.4 of this policy;
- 3.1.1.2. ensuring the safety, continuity and efficiency of the payment system;
- 3.1.1.3. concluding agreements with the system participants to hold their settlement accounts; and
- 3.1.1.4. defining the service fees for the system operator.

3.1.2. In regulating the operation of the payment system, the Bank of Mongolia shall be responsible for:

- 3.1.2.1. developing the policy on payment system, operational procedures and rules, defining mandatory criteria, as well as determining the appropriate indicators;
- 3.1.2.2. governing the operation of the payment system pursuant to the “Principles for Financial Market Infrastructure” issued by the Bank for International Settlement;
- 3.1.2.3. regulating activities to facilitate liquidity of the system participants;
- 3.1.2.4. maintaining the interoperability and integrity of payment and settlement systems.

3.1.3. In participating in the payment system, the Bank of Mongolia shall be responsible for:

- 3.1.3.1. making and receiving payments on its own behalf and on behalf of the Government of Mongolia;

3.1.4. In overseeing and supervising the payment system, the Bank of Mongolia shall be responsible for:

- 3.1.4.1. monitoring the payment and settlement systems and conducting oversight to ensure safety and continuity of the systems and to prevent the potential risks;
- 3.1.4.2. carrying out the supervision under the policies and regulations issued by the Bank of Mongolia.

3.1.5. In developing the national payment system, the Bank of Mongolia shall be responsible for:

- 3.1.5.1. acting as a catalyst for the payment system reforms and implementing proper measures to improve the efficiency of the system by adopting technological innovations;
- 3.1.5.2. taking appropriate steps to increase the use of non-cash payment instruments and introduce new payment services.

3.2. Responsibilities of the system participants

The system participant is the institution licensed from the Bank of Mongolia to engage in the operation of national payment system.

The system participants shall be responsible for:

- 3.2.1. providing payment services to the public on timely and effective manner in accordance with the relevant laws, procedures, rules and other criteria;
- 3.2.2. issuing non-cash payment instruments with the permission from the Bank of Mongolia;
- 3.2.3. maintaining the interoperability and integrity of payment and settlement systems, as well as complying with the operational rules of the system operator.

3.3. Responsibilities of the system operator

The system operator is an entity authorized from the Bank of Mongolia to transfer monetary claims and settle payment obligations between or among the system participants and to involve in other payment system operations.

The system operator shall be responsible for:

- 3.3.1. ensuring the safe and smooth operation of the retail payment system;
- 3.3.2. determining the operational rules and technical standards in compliance with the policies, regulations, procedures, and other criteria issued by the Bank of Mongolia, ensuring the interoperability and integrity of payment and settlement systems;

- 3.3.3. providing the system participants with other services related to payment system and enhancing the efficiency, ensuring the safety and the security of payment instruments.

Four. Cooperation

- 4.1. The Bank of Mongolia shall cooperate with the payment system operator and the participants as well as with other members of the National Payment System Council for the purpose of ensuring the safety and efficiency of the national payment system and introducing new advanced payment instruments and services.
- 4.2. In order to develop the national payment system in conformity with the international standards and core principles, the Bank of Mongolia shall cooperate with other foreign countries' central banks and international organizations.

Five. Public awareness

- 5.1. The Bank of Mongolia shall disclose the data, reports and research papers on the national payment system to the public.
- 5.2. The Bank of Mongolia may send the information and statistical data on the national payment system to international organizations for the publication.

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