

LAW OF MONGOLIA
May 31, 2013 **Ulaanbaatar city**
ON COMBATING MONEY LAUNDERING AND THE FINANCING OF TERRORISM
/Revised edition/
CHAPTER ONE
GENERAL PROVISIONS

Article 1. Purpose of this Law

1.1. The purpose of this Law shall be to establish the legal basis of combating money laundering and the financing of terrorism and organizing preventative measures thereto.

Article 2. Legislation on Combating Money Laundering and the Financing of Terrorism

2.1. The legislation on combating money laundering and the financing of terrorism shall consist of the Constitution of Mongolia, the Criminal Code, this Law and other legislative acts enacted in compliance with these laws.

2.2. In case an international treaty to which Mongolia is a party provides otherwise than this Law, the provisions of the international treaty shall prevail.

Article 21. Scope of the application of this Law

21.1. All provisions to combat and prevent money laundering and the financing of terrorism specified in this Law shall be applicable to any activity for combatting and preventing from proliferation financing of weapon of mass destruction to the same extent.

/This Article was added according to the law as of April 26, 2018/

Article 3. Definitions of terms of the Law

3.1. The following terms used in this Law shall be understood as follows:

3.1.1. 'Money laundering' shall mean the acquisition, possession or use of assets, money and income knowing that they are proceeds of committed crime or transfer or conversion of such proceeds to conceal their illicit origins and to assist entities involved in committing crimes to avoid legal liabilities, or disguise their true natures, origins, locations, administration, ownership, and property rights.

/This sub-paragraph was modified according to the law as of April 26, 2018/

3.1.2. 'Financing of terrorism' shall mean the direct or indirect accumulation, alteration, transfer and expenditure of assets by terrorist entities knowing that they will be used to carry out terrorist act and activities;

/This sub-paragraph was modified according to the law as of October 10, 2019/

3.1.3. 'Cash transaction' shall mean a transaction made using local and foreign currencies as well as cheques, bills and securities widely used in international settlements.

3.1.4. 'Non-cash transactions' shall mean transactions made using internationally accepted payment orders, invoices, letters of credit, collection services, payment cards, electronic settlements, leverage, loans and other means of payment settlement;

3.1.5. 'Politically influential person' shall mean an individual defined in Paragraph 20.2 of the Law on Regulation of Public and Private Interests in Public Service and Prevention of Conflict of Interest or an official who is equivalent to counterpart of foreign country or official of international organization.

/This sub-paragraph was amended according to the law as of April 26, 2018/

3.1.6. 'Beneficial owner' shall mean:

/This sub-paragraph was amended according to the law as of April 26, 2018/

3.1.6.a. if a customer is legal entity then a person who has a significant or controlling ownership interest solely or jointly with others or holds a management function of the legal entity or is represented by other persons or ultimately owns the legal entity earning benefit and profit by exercising control of the legal entity, its transactions and arrangements to implement the transactions;

3.1.6.b. if a customer is an individual then it is a person who is earning benefit and profit by exercising control of such individual's actions and activities or by being represented his/her own actions by such individual;

3.1.6.c. as for an asset management transaction, a person who earns benefit or profit by exercising ultimate effective control over the asset management transaction;

3.1.7. 'Shell bank' shall mean a bank whose management and operations have no physical presence in a country in which it is licensed and registered, or bank which is not affiliated to financial organization that is subject to specifically arranged and integrated superintendence;

/This sub-paragraph was amended according to the law as of April 26, 2018/

- Law;
- 3.1.8.'Customer' shall mean a person who is receiving services provided by the entities specified in 4.1 of this Law;
- 3.1.9.'Asset' shall be defined as pursuant to Article 83 of the Civil Code;
/This sub-paragraph was amended according to the law as of April 26, 2018/
- 3.1.10.'Proceeds of crime' shall be defined as pursuant to paragraph 2 of Article 7.5 of Criminal Code;
/This sub-paragraph was amended according to the law as of April 26, 2018/
- 3.1.11.'Proliferation financing of weapon of mass destruction' shall mean as stated in sub-paragraph 3.1.20 of the Law on Combating Proliferation of Weapons of Mass Destruction and Terrorism.
/This sub-paragraph was added according to the law as of April 26, 2018/
/This sub-paragraph was modified according to the law as of October 10, 2019/
- 3.1.12.'Traders of precious metals, precious stones and jewelry made by them' shall mean a person engaged in commercial activity of trading precious metals, precious stones and jewelry made by them;
/This sub-paragraph was added according to the law as of April 26, 2018/
- 3.1.13'Asset management' shall mean using, possessing and settling a costumer's assets on behalf of the costumer;
/This sub-paragraph was added according to the law as of April 26, 2018/
- 3.1.14.'Financial advisory services' shall mean tax advisory services and audit verification services.
/This sub-paragraph was added according to the law as of January 17, 2020/

CHAPTER TWO

PREVENTATIVE MEASURES

Article 4. Reporting persons

4.1.The following persons shall be obliged to report to the Financial Information Unit specified in paragraph 16.1 of this Law on transactions specified in Article 7 of this Law:

- 4.1.1.Banks;
- 4.1.2.Non-banking financial institutions;
- 4.1.3.Insurance companies and insurance professional participants;
- 4.1.4.Investment funds and investment management companies;
/This sub-paragraph was amended according to the law as of April 26, 2018/
- 4.1.5.Professional organization participated in the securities market;
- 4.1.6.Saving and credit cooperatives;
- 4.1.7.Real estate brokers in cases where any activity involving purchase or sale of real estates is undertaken;
/This sub-paragraph was amended according to the law as of April 26, 2018/
/This sub-paragraph was amended according to the law as of January 17, 2020/
- 4.1.8.Traders of precious metals, precious stones, and jewelry made by them, if they have engaged in cash money transactions with monetary amount specified in sub-paragraph 5.1.2 of this Law;
/This sub-paragraph was amended according to the law as of April 26, 2018/
/This sub-paragraph was amended according to the law as of January 17, 2020/
- 4.1.9.Notaries, lawyers, accounting and financial consulting service providers-when they have prepared, executed or took part in the following activities on behalf of their costumers:
- 4.1.9.a.Buying and selling of real estate;
- 4.1.9.b.Management of Consumer's assets;
- 4.1.9.c.Management of bank, savings or securities accounts;
- 4.1.9.d.Incorporating a company and arrangement of drawing and collection of properties for conducting and managing its activities;
- 4.1.9.e.Incorporating a legal entity, conducting and managing its activities or conducting and managing any certain activity based on the transaction or purchasing and selling a business entity;
/This sub-paragraph was added according to the law as of April 26, 2018/

/This sub-paragraph was amended according to the law as of January 17, 2020/

4.1.10.Virtual assets service providers;

/This sub-paragraph was added according to the law as of December 17, 2021/

4.1.11.Person conducting in money credit activities specified in the Law on Money credit activities.

/This sub-paragraph was added according to the law as of November 11, 2022/

4.2.Persons specified in Paragraph 4.1 of this Law shall be prohibited to open an anonymous, or numbered account, or an account in fictitious names, or make a transaction from or to such accounts, or use closed accounts.

4.3.Persons specified in Paragraph 4.1 of this Law shall exercise the activities on combating the money laundering and the financing of terrorism under the form based on the risks and when exercising it, they shall assess them effectively by taking into account of the following risks in compliance with the specifics and scope of their own activities:

4.3.1.a risk to be arisen depending on the customer;

4.3.2.a risk to be arisen depending on the product and service;

4.3.3.a risk to be arisen depending on delivery method and form of the product and service to the customer;

4.3.4.a risk to be arisen depending on geographical location.

/This paragraph was added according to the law as of April 26, 2018/

4.4.Documents and information used for assessing risks specified in Paragraph 4.3 of this Law shall be retained for the term specified in Article 8 of this Law and they shall be kept being available to show immediately to supervisor or state inspector.

/This paragraph was added according to the law as of April 26, 2018/

Article 41.Identifying the beneficial owner

/This Article was added according to the law as of April 26, 2018/

41.1.The beneficial owners should be identified through the following steps:

41.1.1.The identity of person who is solely controlling the majority of shares or jointly with others;

41.1.2.If it is impossible to identify the person specified in Sub-paragraph 41.1.1 of this Law, then the identity of person who is indirectly managing the operation of legal entity or person whose rights are represented by others;

41.1.3.If it is impossible to identify the person specified in Sub-paragraphs 41.1.1 and 41.1.2 of this Law, the identity of relevant person who is managing legal entity.

41.2.The procedure specified in Paragraph 5.14 of this Law shall regulate the detailed activity to implement regarding identification of a beneficial owner.

Article 5.Customer due diligence

5.1.The persons specified in Paragraph 4.1 of this Law are obliged to identify and verify customer information using official sources of information and documents in the following circumstances:

5.1.1.Prior to establishing a business relation;

/This sub-paragraph was amended according to the law as of January 17, 2020/

5.1.2.Prior to conducting occasional transactions equal to or more than 20 million tugrugs (or equivalent foreign currency) of the entity that has no permanent bank account and not established consistent business relations;

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

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

5.1.5.If there are grounds to suspect that the customer or the transaction is involved with the activities on the money laundering and the financing of the terrorism.

5.2.For the purposes of identifying and verifying a customer pursuant to Paragraph 5.1 of this Law, the Persons specified in Paragraph 4.1 of this Law shall undertake the following measures:

5.2.1.If a customer is an individual, to be requested the customer's surname and given name, date of birth, and a copy of identification card or foreign passport /a competent officer who receives the documents shall verify it with the original document and make a note about the authenticity of the documents at free of charge/, if the documents were delivered by the post, the notarized copies of the documents are requested;

5.2.2.If a customer is a legal entity, to be requested its name, officially locating address, state registration and tax payer number, contact phone number, a copy of its state registration certificate /a competent officer who receives the documents shall verify it with the original document and make a note about the authenticity of the documents at free of charge/, if the

documents were delivered by the post, the notarized copies of the documents and the detailed information on its management are requested;

5.2.3. For the purposes of understanding and knowing whether account is opened and transaction is conducted on behalf of the beneficial owner, to be clarified information on the purpose of the respective business relation, transaction description and beneficiary;

5.2.4. If a customer is a legal entity, to be identified surname and given name of its beneficial owner, to be taken all reasonable measures to verify the identity of beneficial owner, as well as the ownership, control and organizational structure of that customer;

5.2.5. If a customer is a legal entity or its authorized representative, to be verified whether a person who is representing on behalf of the customer has a power to do so, and to be identified the surname and given name of the such person, to be checked them with the original document of that person;

5.2.6. To be received the surname and given name, the registration number, the residential address, the contact phone number and the account number of payer and beneficiary of wire transfers between banks and other financial institutions.

/This sub-paragraph was amended according to the law as of April 26, 2018/

/This sub-paragraph was amended according to the law as of June 3, 2022/

5.3. The persons specified in Paragraph 4.1 of this Law shall assess a risk level of the customer, and conduct detailed activity to identify the high-risk customers, and such activities shall be regulated under the procedure specified in Paragraph 5.14 of this Law.

/This paragraph was modified according to the law as of April 26, 2018/

5.4. If a customer refuses to provide information as stipulated in Paragraphs 5.2 and 5.3 of this Law, the persons specified in Paragraph 4.1 of this Law shall be obliged to refuse to provide service to him/her.

/This paragraph was amended according to the law as of April 26, 2018/

5.5. The persons specified in Paragraph 4.1 of this Law may conduct customer identification in a simplified manner based on the risk assessment in accordance with the procedure set forth in paragraph 5.14 of this Law within the scopes stated in Sub-paragraphs 5.2.1 and 5.2.2 of this Law.

/This paragraph was modified according to the law as of April 26, 2018/

/This paragraph was modified according to the law as of October 10, 2019/

5.6. The persons specified in Sub-paragraph 4.1.1 of this Law shall obtain the following information prior to establish correspondent relation with a foreign bank in order to make an international remittance, wire transfer, or settlement:

5.6.1. information on business lines of the given bank's activity;

5.6.2. information on reputation and public recognition of the given bank;

5.6.3. approval from senior management regarding establishment of correspondent relation and information on mutually agreed rights and responsibilities of the parties;

5.6.4. whether the given bank has a system and internal monitoring programs for combating the money laundering and the financing of the terrorism;

5.6.5. information whether the given bank has been or is being investigated as linked to the activities on the money laundering and the financing of the terrorism.

/This paragraph was modified according to the law as of April 26, 2018/

5.7. For the persons specified in sub-paragraphs 4.1.1, 4.1.2, 4.1.3, 4.1.4, 4.1.5, 4.1.6, 4.1.7, and 4.1.10 of this Law, it shall be prohibited to:

/This paragraph was amended according to the law as of December 17, 2021/

5.7.1. to enter into relation with shell banks;

5.7.2. to enter into relation with banks that have relation with shell banks; and

5.7.3. to continue relation with shell bank if it had previously entered into a relation.

/This paragraph was modified according to the law as of April 26, 2018/

5.8. Prior to introducing the new products and technology, the persons specified in Paragraph 4.1 of this Law shall regularly conduct a risk assessment on them to might be used in the money laundering or financing of the terrorism, and undertake effective measures to minimize the risks.

/This paragraph was modified according to the law as of April 26, 2018/

5.9. The following customers shall be considered similar to high risk customers:

5.9.1. politically influential persons;

5.9.2.an individual and a legal entity from country, which is identified by international anti-money laundering and countering the financing of the terrorism organizations as having inadequate anti-money laundering and countering the financing of terrorism systems.

5.9.3.an individual and a legal entity conducting activities in sectors identified and assessed as the highly risky by the National Risk Assessment on the anti-money laundering and countering the financing of the terrorism.

/This paragraph was added according to the law as of April 26, 2018/

5.10.Wire transfers to be remitted, received, and transferred by the persons specified in Paragraph 4.1 of this Law shall contain clearly and completely the information of payer and beneficiary, and if the information of the payer and the beneficiary is not clear, they shall refuse to remit, receive and transfer any transaction.

/This paragraph was added according to the law as of April 26, 2018/

5.11.The persons specified in Paragraph 4.1 of this Law shall exercise constant control on the information specified in Article 5 of this Law and shall update it at each occasion of change.

/This paragraph was added according to the law as of April 26, 2018/

5.12.If the persons specified in sub-paragraphs 4.1.1, 4.1.2, 4.1.3, 4.1.4, 4.1.5, 4.1.6, 4.1.7, and 4.1.10 of this Law engage a third party to be conducted the customer's identification, the requirements to be set on them shall be regulated by the procedure specified in Paragraph 5.14 of this Law.

/This paragraph was added according to the law as of April 26, 2018/

/This paragraph was amended according to the law as of December 17, 2021/

5.13.Conducting a customer identification by a third party, it shall not be grounds for persons specified in Sub-paragraphs 4.1.1, 4.1.2, 4.1.3, 4.1.4, 4.1.5, 4.1.6, 4.1.7, and 4.1.10 to be exempted from the legal liabilities.

/This paragraph was added according to the law as of April 26, 2018/

/This paragraph was amended according to the law as of December 17, 2021/

5.14.The President of the Bank of Mongolia shall approve the procedures on Preventive Measures from money laundering and financing of the terrorism that include the following detailed activities, upon consultation with a Cabinet member in charge of finance and budget, a Cabinet member in charge of legal affairs, Head of the Financial Regulatory Commission and Head of the General Intelligence Agency:

5.14.1.detailed measures to identify beneficial owners;

5.14.2.customer identification activity;

5.14.3.enhanced customer identification activity;

5.14.4.requirements on when relying upon a third party to conduct customer identification activity;

5.14.5.detailed activity for conducting risk assessment;

5.14.6.details of internal program;

5.14.7.measures to be undertaken in relation to sanctions listing;

5.14.8.other related measures.

/This paragraph was added according to the law as of April 26, 2018/

Article 6.Exclusive monitoring

6.1.The persons specified in Paragraph 4.1 of this Law shall undertake exclusive monitoring on the following transactions:

6.1.1.Transactions of large amount changed unusually;

6.1.2.Transactions that have no apparent economic or legal grounds;

6.1.3.Transactions conducted under the name of politically influential persons;

6.1.4.Transactions made via countries defined by the international organizations with functions on anti-money laundering and countering the financing of the terrorism as the strategically deficient in anti-money laundering and combating the financing of terrorism regimes.

6.2.The persons specified in Paragraph 4.1 of this Law shall undertake all possible measures to obtain additional information and explanations, and examine the purposes of the transactions and the business relationship, and the nature of transactions specified in Paragraph 6.1 of this Law within the possible framework, and shall keep the findings in written form.

Article 61.Implementation of sanctions issued by the United Nations Security Council and other relevant authorities

/This Article was added according to the law as of April 26, 2018/

61.1. The persons specified in Paragraph 4.1 of this Law shall be prohibited to provide services to individuals, legal entities, any group or associations included in the list specified in sub-paragraphs 3.1.17 and 3.1.18 of the Law on Combating Proliferation of Weapon of Mass Destruction and Terrorism.

/This paragraph was modified according to the law as of October 10, 2019/

61.2. The persons specified in Paragraph 4.1 of this Law shall immediately freeze relevant accounts and movement of assets of an individual, legal entity, group or association belonging to the sanctions list without prior notice upon detection and acknowledgement of their names, and prohibit them from making any transactions without a decision of relevant authorities, as well as report them to the Intelligence Agency and the Financial Information Unit immediately.

/This paragraph was amended according to the law as of October 10, 2019/

61.3. The persons specified in Paragraph 4.1 of this Law shall apply detailed customer identification measures on customers from countries and regions which were declared that having inadequate anti-money laundering and countering financing terrorism systems by the international organization in charge of anti-money laundering and financing of the terrorism and if it is necessary, shall apply appropriate measures specified in laws and administrative normative acts enacted in compliance with the respective laws.

61.4. The procedure specified in Paragraph 5.14 of this Law shall regulate relations with regard to delivery of sanction listing to the persons stated in Paragraph 4.1 of this Law, taking and implementing the sanctions and other measures stated in legislation, and preparing implementation report of these measures.

61.5. The reporting persons shall report the information specified in Paragraph 61.2 of this Law in accordance with the procedures set forth in Paragraphs 23.2 and 23.6 of the Law on Combating the Proliferation of Weapon of Mass Destruction and Terrorism.

/This paragraph was added according to the law as of January 17, 2020/

Article 7. Reporting of transactions

7.1. The persons specified in Paragraph 4.1 of this Law shall be obliged to submit a report on a cash, foreign settlement and/or virtual assets transaction which is equivalent to or above 20 million tugrugs to the Financial Information Unit within the five working days after making such transaction in accordance with approved procedure and format.

/This paragraph was amended according to the law as of December 17, 2021/

7.2. If the persons specified in Paragraph 4.1 of this Law has suspected or known that an asset, transaction, or attempted transaction are related to the money laundering or financing of terrorism, or related to assets and proceeds of the committed crime, it shall submit a report on such suspicious transaction to the Financial Information Unit within 24 hours in accordance with approved procedure and format.

/This paragraph was amended according to the law as of April 26, 2018/

7.3. The persons specified in Paragraph 4.1 of this Law and the persons specified in Articles 13 and 14 of the Law on Combating Proliferation of Weapons of Mass Destruction and Terrorism shall submit a report to the Financial Information Unit in electronic form in accordance with the report submission procedure and form. The President of the Bank of Mongolia shall approve the procedure and form on submitting a report to the Financial Information Unit based on the proposals made by the Cabinet member in charge of finance and budget, the Cabinet member in charge of legal affairs and the Chairman of the Financial Regulatory Commission.

/This paragraph was modified according to the law as of January 17, 2020/

7.4. The persons specified in Paragraph 4.1 of this Law shall provide information on specific transactions and their participants to competent law enforcement authorities and anti-terrorism authorities in accordance with the procedure jointly approved by the President of the Bank of Mongolia and the Cabinet member of in charge of legal affairs.

7.5. When necessary, the persons specified in Paragraph 4.1 of this Law may submit the information in paper form with the authorization of the Head of the Financial Information Unit.

/This paragraph was added according to the law as of January 17, 2020/

Article 8. Record keeping of information and documentation of customers

8.1. The persons specified in Paragraph 4.1 of this Law shall retain information and records of transactions, accounts and information of customers obtained in accordance with Articles 5 and 6 of this Law for the duration of not less than five years after the transaction or the closure of the account.

8.2. The persons specified in Paragraph 4.1 of this Law shall keep records and information specified in Paragraph 8.1 of this Law in a way that they are immediately available to competent law enforcement authorities at their request.

Article 9. Information on suspicious transactions

9.1. Suspicious transaction information to be sent to the Financial Information Unit shall contain the following information:

9.1.1. names and residential addresses of the Persons specified in Paragraph 4.1 of this Law and the surname and given names of the officials who submitted the information;

9.1.2. information on customers and beneficiaries;

9.1.3.information on transaction description, value, execution form, date, account number, other participants of the transaction and account holder;

9.1.4.brief explanation of grounds and circumstance to suspect such transaction;

9.1.5.other related documents.

9.2.The Financial Information Unit shall have the right to request additional information, such as the account statement of the person associated with suspicious transactions, copy of the documents used to open an account, and risk assessment documents of the bank customer from the persons specified in the Paragraph 4.1 of this Law.

/This paragraph was added according to the law as of April 26, 2018/

Article 10.Monitoring of accounts

10.1.If there are grounds to suspect that an account of a customer of the persons specified in Paragraph 4.1 of this Law is being used for money laundering and financing of the terrorism, the Financial Information Unit may monitor that particular account of the customer.

Article 11.Asset freezing and suspension

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

11.2.The decision specified in Paragraph 11.1 of this Law shall be delivered to the persons specified in Paragraph 4.1 of this Law in writing, if it is not possible, the latter shall be notified by phone followed by written notice within 24 hours.

11.3.The Financial Information Unit shall undertake the following measures during the suspension of transactions in accordance with Paragraph 11.1 of this Law;

11.3.1.to collect necessary information from related local and foreign institutions;

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

11.3.3.if it is detected that the given transaction does not have the purpose of money laundering or financing of terrorism, then the suspension decision shall be annulled and the persons specified in Paragraph 4.1 of this Law shall be immediately notified.

Article 12.Exemption from liability

12.1.The submission of reports by the persons specified in Paragraph 4.1 of this Law to the Financial Information Unit and competent authorities, in accordance with procedures specified in this Law shall not be deemed as a disclosure of banking, professional, professional activities', customer's, business entity's or organizations', business or other confidentiality.

/This paragraph was amended according to the law as of April 26, 2018/

12.2.If a report submitted by the persons specified in Paragraph 4.1 of this Law has not been proven to be related to money laundering and financing of terrorism, it shall not serve as grounds to impose liabilities specified in the Criminal Code, Civil Code and other laws on the citizen and legal entity who submitted such report against the submission of the report.

/This paragraph was amended according to the law as of April 26, 2018/

12.3.Any harm caused to a citizen or a legal entity due to suspension of specific transaction according to Article 11 of this Law, shall not serve as grounds to impose liabilities specified in the Criminal Code, Civil Code and other laws on the persons specified in Paragraph 4.1 of this Law, their management and employees as well as the Financial Information Unit and its employees.

/This paragraph was modified according to the law as of April 26, 2018/

12.4.If any harm caused to a citizen or legal entity due to illegal actions undertaken by the persons specified in Paragraph 4.1 of this Law and the Financial Information Unit, it shall be settled according to the respective laws.

Article 13.Keeping the confidentially of information

13.1.The persons specified in Paragraph 4.1 of this Law, its management and employees shall not transfer or disclose any information related to the transaction reported to the Financial Information Unit to another person other than those specified in Paragraph 7.4 of this Law.

/This paragraph was modified according to the law as of April 26, 2018/

13.2.The head, supervisors, analysts and other officers of the Financial Information Unit shall not disclose confidential information related to customers' transactions has known during their official duties at any time in cases other than provided in law during their term of office and even after discharge.

Article 14.Internal monitoring of reporting persons

/This Article was modified according to the law as of April 26, 2018/

14.1. The persons specified in Paragraph 4.1 of this Law shall have an Internal Monitoring and Risk Management Program aimed to counter the money laundering and the financing of terrorism adopted by its Board of Directors or equivalent governing body.

14.2. The Internal Monitoring and Risk Management Program shall comply with the scope of business, specific features of the activities, and structure and organization of the persons specified in Paragraph 4.1 of this Law and shall fulfill the possibility to take the effective measures to reduce and prevent the risk of money laundering and financing of terrorism.

14.3. The affiliated financial groups, their branches and subsidiaries of the persons specified in Paragraph 4.1 of this Law shall similarly implement the Internal Monitoring Program.

14.4. The following shall be included in the Internal Monitoring Program:

14.4.1. a methodology for evaluating risks of money laundering and financing of terrorism related to customers, products, services and delivery channels to the customers;

14.4.2. procedures for implementing identification activities on high-risk customer;

14.4.3. regulations on measures aimed to minimize the risks of new technology and high-risk product, service and their delivery methods and forms to customers;

14.4.4. procedures for customer identification activity and detailed identification activity;

14.4.5. procedures when engaging a third party for customer identification activity;

14.4.6. regulations for implementation of the sanctions issued by the United Nations Security Council, and relevant authorities of the state and international organizations;

14.4.7. procedures for exclusive monitoring;

14.4.8. procedures for establishing relations with correspondent banks;

14.4.9. procedures for money wire transfers and electronic settlements;

14.4.10. procedures for the detection of suspicious transactions, keeping the confidentiality of information, reporting to the Financial Information Unit and other competent authorities, transferring and retention of documents;

14.4.11. procedures on the appointment and dismissal of officials in charge of supervision on the implementation of the Law on combating the money laundering and the financing of the terrorism and the Internal Monitoring Program, and his/her rights and obligations;

14.4.12. Internal training program to ensure the implementation of the Law on combating money laundering and the financing of the terrorism and other relevant procedures.

14.4.13. other conditions and requirements specified in the administrative normative acts enacted in compliance with the laws.

14.5. The persons specified in Paragraph 4.1 of this Law shall submit the Internal Monitoring Program to the relevant supervisory body to which it belongs for registration.

14.6. The persons specified in Paragraph 4.1 of this Law shall monitor constantly the effectiveness of the Internal Monitoring Program through its Board of Directors, the committee next to the Board of Directors or the independent internal audit unit and shall operate by estimating its results.

Article 15. Entering and Passing the cash across the borders of Mongolia

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

15.2. Customs Authority shall consolidate cash declarations made in accordance with Paragraph 15.1 of this Law and submit it to the Financial Information Unit every month under the relevant procedures.

15.3. The Head of Customs General Administration shall approve format of declaration form specified in Paragraph 15.2 of this Law upon consultation with the Head of the Financial Information Unit.

15.4. It shall be prohibited for Mongolian and foreign citizen, or stateless person to exit via Mongolian border carrying physical precious metal and foreign currency in cash equivalent to or more than monetary value of 20 million tugrugs.

/This paragraph was added according to the law as of April 15, 2022 and it shall be in force until January 1, 2023/

15.5. The physical precious metal and foreign currency in cash up to monetary value specified in Paragraph 15.4 of this Law can cross Mongolian border by declaring them at the Customs.

/This paragraph was added according to the law as of April 15, 2022 and it shall be in force until January 1, 2023/

CHAPTER THREE

POWERS OF STATE AUTHORITIES

Article 16. Financial Information Unit

16.1. The Financial Information Unit shall be the autonomous and independent agency having functions to receive information related to the crime on money laundering, related crimes and violation, information on the financing of terrorism, to receive information specified in Article 7 of this Law from the persons specified in Paragraph 4.1 of this Law, to make analysis on the respective information, and to submit vulnerable information to the competent law enforcement authorities if transactions and transaction attempts suspected with regard to the money laundering and the financing of the terrorism at the result of the analysis thereto.

/This paragraph was amended according to the law as of April 26, 2018/

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

16.3. The Head of the Financial Information Unit shall approve the operational strategy and organizational structure of this unit, while the President of the Bank of Mongolia shall approve the operational budget based on the proposals made by the Head of the same unit.

/This paragraph was amended according to the law as of April 26, 2018/

16.4. The President of the Bank of Mongolia shall appoint and dismiss a Head of the Financial Information Unit upon consultation with the Head of the competent law enforcement authority.

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

16.5.1. to have at least five years of relevant professional experience in banking, financial or legal sector;

16.5.2. not to have any outstanding debts according to loans, guarantee and warranty agreements;

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

16.6.1. to have at least two years of relevant professional experience in banking, financial or legal sector;

16.6.2. not to have any outstanding liabilities according to loan, guarantee and warranty agreements.

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

16.8. The President of Bank of Mongolia shall issue the right of the senior state inspector and the senior state inspector shall issue the right of the state inspector.

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

16.10. The Head of the Financial Information Unit shall approve other procedures and guidance related to the internal activities of the Financial Information Unit.

/This paragraph was added according to the law as of April 26, 2018/

Article 17. Function of competent law enforcement authority

17.1. The representatives of the competent law enforcement authority shall operate in the Financial Information Unit.

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

17.3. The Head of the Financial Information Unit shall appoint and dismiss the representatives under Paragraph 17.1 of this Law based on consultation with the Head of the competent law enforcement authority.

17.4. When it is required, the competent law enforcement authority and the Financial Information Unit can appoint jointly a working group and operate.

Article 18. Functions of the Financial Information Unit

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

18.1.1. to receive, collect, and analyze information reported from the persons specified in Paragraph 4.1 of this Law as well as information existing in the databases of relevant similar national and foreign institutions;

18.1.2. if there are sufficient grounds to suspect that the given transaction had the purpose of the money laundering or the financing of the terrorism, then it shall transfer the report to the competent law enforcement authorities and anti-terrorism agencies according to the procedures specified in the law, and to compile a database on reports of suspicious, cash and non-cash transactions submitted to the competent authorities;

18.1.3. to provide on a timely basis general information on due diligence conducted on suspicious transactions and on the general types and methods of those transactions in order to support the detection and reporting of suspicious transactions by reporting persons;

/This paragraph was modified according to the law as of October 10, 2019/

18.1.4.to develop a methodology to examine information related to the money laundering and the financing of the terrorism, and to monitor and detect suspicious transactions, and report it to the persons specified in Paragraph 4.1 of this Law, and organize its implementation;

18.1.5.to enhance public awareness and promotion to combat and prevent the money laundering and the financing of the terrorism;

/This sub-paragraph was amended according to the law as of April 26, 2018/

18.1.6.to inform the sanctions listing to the persons specified in Paragraph 4.1 of this Law and organize the implementation thereof;

/This sub-paragraph was added according to the law as of April 26, 2018/

18.1.7.to prepare consolidated statistics about supervision conducted on implementation of Law on combating the money laundering and the financing of the terrorism, perform supervision and have supervision conducted by other authorized entity;

/This sub-paragraph was added according to the law as of April 26, 2018/

18.1.8.to organize national risk assessments on combating the money laundering and the financing of the terrorism, to develop a national policy and program based on the respective risk assessment, then to organize the works to be discussed it by the Cooperation Council;

/This sub-paragraph was added according to the law as of April 26, 2018/

/This sub-paragraph was amended according to the law as of December 17, 2021/

18.1.9.to organize measures to ensure the implementation of the recommendations issued by the international organizations with functions to combat the money laundering and the financing of the terrorism.

/This sub-paragraph was added according to the law as of April 26, 2018/

18.2.The supervisors of the Financial Information Unit shall have the power to examine the compliance of the laws on combating the money laundering and the financing of the terrorism and to require rectification of any breaches of this Law by the persons specified in Paragraph 4.1 of this Law, or to transfer it to the competent law enforcement authorities for inspection or to make recommendations on revocation of the permits and to be settled by the competent authorities.

/This paragraph was amended according to the law as of June 17, 2022/

18.3.The Financial Information Unit shall monitor how the persons specified in Paragraph 4.1 of this Law and their officers fulfill their obligations specified according to this Law.

18.4.The Financial Information Unit shall submit a report of its activities per annum to the Financial Stability Council.

18.5.The Head of the Financial Information Unit and its officers shall have the right to obtain references on citizen's, legal entities' and property's state registration, social insurance registration, border crossing registration, investment registration, tax payment records, and records of transactions between banks and financial institutions from the relevant organizations for the purposes of performing their duties prescribed in this Law.

/This paragraph was amended according to the law as of April 26, 2018/

18.6.The Financial Information Unit shall cooperate with the competent authorities in the field of combating and preventing the proliferation of weapons of mass destruction and the money laundering and the financing of the terrorism, exchange information, and provide support and assistance in the investigation, prosecution and resolving of crimes.

/This paragraph was added according to the law as of October 10, 2019/

Article 19.Monitoring the activities of the reporting persons

/This Article was modified according to the law as of April 26, 2018/

19.1.The Bank of Mongolia shall ensure compliance with obligations of the persons specified in sub-paragraph 4.1.1 of this Law, and ensure their implementation, the Financial Regulatory Commission shall ensure compliance with obligations of the persons specified in sub-paragraphs 4.1.2, 4.1.3, 4.1.4, 4.1.5, 4.1.6, 4.1.7, 4.1.8, and 4.1.10 of this Law, and ensure their implementation, and Mongolian Bar Association, Association of Advocates, Chamber of Notaries, Mongolian Institute of Certified Public Accountants, Financial Information Unit and the authorized body of issuing and monitoring the respective permit shall ensure compliance with obligations of the persons specified in sub-paragraph 4.1.9 of this Law, according to risk based approach, respectively.

/This paragraph was amended according to the law as of May 30, 2019/

/This paragraph was amended according to the law as of October 10, 2019/

/This paragraph was amended according to the law as of January 17, 2020/

/This paragraph was amended according to the law as of December 17, 2021/

/This paragraph were amended according to the law as of June 17, 2022/

19.2. The competent authorities specified in Paragraph 19.1 of this Law and the Financial Information Unit shall take the following actions:

19.2.1. to perform on-site and off-site supervisions, to issue inspection directives procedures, guidelines and recommendations for the persons specified in Paragraph 4.1 of this Law;

19.2.2. to obtain the documents, reports, information and explanations for the purpose of ensuring the implementation of the obligations under this Law from the persons specified in Paragraph 4.1 of this Law as well as for the purposes of monitoring and inspecting them;

19.2.3. to set requirements for significant shareholders, sources of share capital, executive management and staff of the persons specified in Paragraph 4.1 of this Law;

19.2.4. if a participant to a financial group is registered or located in another country, the agency in charge of the relevant inspection shall cooperate with the competent authorities of that country by signing a memorandum of understanding and agreement, for exchange information and joint supervision;

19.2.5. to exchange information and cooperate the competent authorities in charge of the relevant supervision between each other or with the Financial Information Unit with the purposes of ensuring the implementation of the obligations under the law by the persons specified in Paragraph 4.1 of this Law as well as ensuring the unity of inspection activities;

19.2.6. to publicize and maintain statistics concerning measures taken and sanctions imposed on in connection with implementing this Law;

19.2.7. to conduct joint supervision and inspection with the Bank of Mongolia, the state central administrative body in charge of finance and budget, as well as the Financial Regulatory Commission if they deem necessary to monitor the implementation of the law within the financial group.

19.3. The persons specified in paragraph 4.1 of this Law and their competent officers and staff shall provide inspectors with the conditions to practice their powers and conduct the supervisory process independently and autonomously.

19.4. If deemed necessary, the Financial Information Unit can conduct joint supervision over the persons specified in Paragraph 4.1 of this Law with the authorities specified in Paragraph 19.1 of this Law on how they execute their obligations prescribed in the law.

Article 20. Database

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

20.2. The Head of the Financial Information Unit shall approve the procedure on storage and use of information in the database specified in Paragraph 20.1 of this Law.

Article 21. Cooperation with similar foreign institutions

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

21.2. The Financial Information Unit may provide required information at the request of the institutions specified in Paragraph 21.1 of this Law in accordance with the respective legislation.

CHAPTER FOUR

MISCELLANEOUS

Article 22. Cooperation Council

22.1. The Cooperation Council with function to issue recommendations on ensuring the implementation of the legislation on the combating money laundering and the financing of the terrorism, exchanging information, minimizing and preventing the risks shall operate next to the Financial Information Unit.

22.2. The Cooperation Council shall consist of representatives of state central administrative bodies in charge of foreign affairs, finance, and legal affairs, prosecutor's office, Bank of Mongolia, Financial Regulatory Commission, authorized agencies of law enforcement and the countering-terrorism, taxation and custom authorities, and the Financial Information Unit.

22.3. The functions of secretariat office of the Cooperation Council shall be exercised by the Financial Information Unit.

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

Article 221. National Council

/This Article was added according to the law as of April 26, 2018/

221.1. A National Council with the function to develop a national policy and program on combating money laundering and the financing of the terrorism to be approved by the competent authority and to take measures to implement it, shall be established to operate and the Government shall approve the governing official and the composition of the Council based upon a proposal by the Prime Minister.

/This paragraph was amended according to the law as of January 17, 2020/

/This paragraph was amended according to the law as of December 17, 2021/

221.2.The National Council shall consist of representatives from the Prosecutor's Office, the Bank of Mongolia, the Financial Regulatory Commission, the State Central Administrative Bodies in charge of finance, legal and foreign affairs, authorized agencies of law enforcement and countering-terrorism, taxation and customs authorities, and the Financial Information Unit.

/This paragraph was amended according to the law as of January 17, 2020/

221.3.The functions of secretariat office of the National Council shall be exercised by the Financial Information Unit.

Article 23.Liabilities for the violators of the law

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

23.2.If it is a breach of this Law and the administrative normative acts issued in compliance with the law, or it is detected that it might be to breach as a result of inspection or non-compliance with the requirements of the permits and if they do not have nature of a crime or a violation, a public official of the competent authorities specified in the Paragraph 19.1 of this Law shall impose the following liabilities in consideration of arisen condition and breach on them;

/This paragraph was added according to the law as of April 26, 2018/

/The paragraph was amended according to the law as of June 17, 2022/

23.2.1.to give an official demand, a warning notice, or a timed duty and/or assignment in regards with rectifying the breach;

23.2.2.to assign to take measures to improve and strengthen the structure, operations, risk management, and internal monitoring of Persons specified in Paragraph 4.1 of this Law;

23.2.3.to make a proposal to suspend or partially or completely restrict, terminate, suspend or revoke the permits of Persons specified in Paragraph 4.1 of this Law;

/This sub-paragraph was amended according to the law as of May 30, 2019/

/The paragraph was amended according to the law as of June 17, 2022/

23.2.4.to issue orders to dismiss, suspend and change the authorized officials of the Persons specified in Paragraph 4.1 of this Law.

23.3.If the officials fail to execute a timed duty or assignment, a warning notice, or an official demand specified in Paragraph 23.2 of this Law, the liabilities specified pursuant to the Law on Violation shall be imposed on them.

/This paragraph was added according to the law as of April 26, 2018/

Article 24.Entry into force of the law

24.1.This Law shall enter into force on May 31, 2013.

THE CHAIRMAN OF THE STATE GREAT KHURAL OF MONGOLIA ENKHBOLD.Z