DECREE OF THE GOVERNOR OF
THE BANK OF MONGOLIA

October 21st, 2021 No. A-280 Ulaanbaatar

Regarding approval of the list of eligible collateral
for central bank financing to banks

In accordance with the Article 13.2, Article 15, Article 20[1].3, Article 28.1.1 and 28.1.2 of the Law on Central Bank (Bank of Mongolia), Article 5.4 of the Law on one-time cancellation of pension-backed loan debts of pensioners, Article 10.1, 10.3 of the Law on prevention, combat, and mitigation of negative impact of the coronavirus /COVID-19/ pandemic on the society and the economy, Resolution No. 21 about approval of the Strategy to reduce the lending rate by the Parliament dated 28 August 2020, Article 4 of Decree No.6 of the Monetary Policy Committee of the Bank of Mongolia dated 23 November 2020, it is hereby decreed:

1. The list of eligible collaterals for the loans and financing of the central bank to banks shall be updated and approved as attached.

2. The Risk Management Unit (Bayanzul D.) shall develop and present a proposal to update the list of eligible collaterals for the loans and financing of the central bank to banks by taking specific circumstances and needs into account.

3. The Reserve Management and Financial Markets Department (Enkhjin A.), the Risk Management Unit (Bayanzul D.), and the Finance and Accounting Department (Garid Ts.) will be obligated to carry out this decree.

4. Decree of the Governor of the Bank of Mongolia No. A-98 in 2020 shall be nullified with the approval of this decree.

5. The Internal Audit Department (Amarsaikhan T.) is to supervise the fulfillment of this decree.

GOVERNOR LKHAGVASUREN B.

Annex of decree No. A-280 of the Governor of the Bank of Mongolia
approved on 21 October 2021

LIST OF ELIGIBLE COLLATERAL FOR CENTRAL BANK FINANCING AND SECURITIES ELIGIBLE FOR REPO AGREEMENTS WITH BANKS

1. The following assets are eligible collateral for the central bank's market operations. This includes:

Monetary and financial market operations	Collateral[1]
1. Open market operations	
1.1 Repo auction	Central bank bills, Government bonds, Erdenes bond issued by Erdenes Mongol LLC and guaranteed by the Development Bank of Mongolia, Mortgage-backed securities issued by the Mongolian Mortgage Corporation LLC, Senior tranche of asset-backed securities backed by performing loans and issued by the Securities Finance Corporation LLC
2. Standing facilities	
2.1 Overnight repo financing	Central bank bills, Government bonds, Erdenes bond issued by Erdenes Mongol LLC and guaranteed by the Development Bank of Mongolia, Mortgage-backed securities issued by the Mongolian Mortgage Corporation LLC
2.2 Intraday repo	Central bank bills, Government bonds
3. Collateralized loan	Central bank bills, Government bonds, Bonds issued by Development Bank of Mongolia, Erdenes bond issued by Erdenes Mongol LLC and guaranteed by the Development Bank of Mongolia, Mortgage-backed securities issued by the Mongolian Mortgage Corporation LLC, performing loans issued by banks

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[1] All eligible securities must be electronically recorded and registered by the Mongolian Central Securities Depository.

2. Summary of haircuts for eligible collateral, by percentage[2]

   2.1 Haircuts for securities with fixed coupons:

Collateral	Haircuts (by remaining maturity)					
	0-1 year	1-3 years	3-5 years	5-7 years	7-10 years	10+ years
Government bonds	0.5	1.0	1.5	2.0	3.0	5.0
Development Bank of Mongolia bonds	1.0	1.5	2.5	3.5	4.5	8.0
Senior tranche of MBS[3]	20					
Junior tranche of MBS[4]	40					
Senior tranche of asset-backed securities backed by performing loans[5]	20					

   2.2 Haircuts for zero coupon securities:

Collateral	Haircuts (by remaining maturity)					
	0-1 year	1-3 years	3-5 years	5-7 years	7-10 years	10+ years
Central bank bills	0.5	2.0	2.5	3.0	4.0	7.0
Government bonds	0.5	2.0	2.5	3.0	4.0	7.0
Development Bank of Mongolia bonds	1.0	2.5	3.5	4.5	6.5	10.5
Erdenes bond[6]	40					

   2.3 Haircuts for performing loans issued by banks:

Loan maturity	Haircuts
Up to 3 years	30
More than 3 years	50

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[2] - Amount for central bank financing will be determined by the following formula, up to 2 decimals:

$$F = C * \frac{100 - H}{100}$$

- F – Financing amount
- C – Fair or market value of collateral
- H – Haircut rate

[3] Mortgage-backed securities issued by the Mongolian Mortgage Corporation SPC LLC
[4] Mortgage-backed securities issued by the Mongolian Mortgage Corporation SPC LLC
[5] Asset-backed securities backed by performing loans issued by the Securities Finance Corporation LLC
[6] Erdenes bond issued by Erdenes Mongol LLC and guaranteed by the Development Bank of Mongolia