

## **LAW ON COMBATING MONEY LAUNDERING AND TERRORISM FINANCING**

### **CHAPTER ONE GENERAL PROVISIONS**

#### **Article 1. Purpose of the Law**

1.1. The purpose of this Law is to combat and define legal basis of organizing preventive measures against money laundering and terrorism financing.

#### **Article 2. Legislation on Combating Money Laundering and Terrorism Financing**

2.1. The law on combating money laundering and terrorism financing shall consist of the Constitution of Mongolia, the Criminal Code, this Law and other legal acts adopted in conformity with these laws.

2.2. If an international treaty to which Mongolia is a party is inconsistent with this Law then the provisions of the international treaty shall prevail.

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

2<sup>1</sup>.1. Measures to prevent and combat money laundering and financing of terrorism in this law should be applicable to proliferation financing to the same extent.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

#### **Article 3. Definitions of terms**

3.1. The following terms used in this Law shall be understood as follows in the application of this law:

3.1.1. “Money laundering” means the acquisition, possession or use of income, money and assets knowing that they are proceeds of 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 article was amended by the Law of 26<sup>th</sup> April 2018/*

3.1.2. "Terrorism financing" means the provision, collection or transfer of asset directly or indirectly, in the knowledge that they are to be used to carry out a terrorist act or to finance a terrorist organization, or an individual terrorist.

3.1.3 "Cash transaction" means a transaction involving local and foreign banknotes as well as checks, bills and securities widely used in international settlement.

3.1.4. "Non cash transactions" means transactions involving internationally accepted payment orders, invoices, letters of credit, collection service, payment cards, electronic settlements, leverage, loan and other non-cash payments;

3.1.5. "Politically exposed person" is an individual defined in Article 20.2 of The Law on the Regulation of Public and Private Interests and Prevention of Conflict of Interest in Public Service, or an individual who is or has been entrusted with similar posts by a foreign country and an individual who is or has been entrusted with similar posts by an international organization.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

3.1.6. "Beneficial owner" means:

*/This article was amended by the Law of 26<sup>th</sup> April 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 s the legal entity's or represented by other persons or ultimately owns the legal entity earning benefit and profit by exercising control of the legal entity and its arrangement;

3.1.6.b. if a customer is an individual then a person who controls customers' action activity or represented by this persons who benefiting from it;

3.1.6.c. As for a legal arrangement, a person who earns benefit or profit by exercising ultimate effective control over the legal arrangement.

3.1.7. Shell bank means a bank whose management and operations have no physical presence in at country in which it is registered and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

3.1.8. "Customer" means a person who is using services provided by the entities described in Article 4.1;

3.1.9. "Asset" is defined as pursuant to Article 83 of Civil Code of Mongolia.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

3.1.10. "Proceeds of crime" is defined as pursuant to Article 7.5 part 2 of the Criminal Code.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

3.1.11. "Proliferation financing" means the acquisition, possession or use of an asset directly or indirectly, knowing that they are intended to be used in processing, producing, storing, acquiring and selling chemical and biological weapons or weapons of mass destruction or raw materials, parts, equipment, and technology of such weapons prohibited by international decree of Mongolia.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

3.1.12. "Dealers of precious metals, precious stones and sellers of jewelry" is a person engaged in commercial activity of selling and buying with precious metals, precious stones, of jewelry.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

3.1.13 "Managing of client's assets" means using, owning and administering of client's assets on behalf of a client.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

## **CHAPTER TWO PREVENTIVE MEASURES**

### **Article 4. Reporting entities**

4.1. The following entities shall report to the Financial Information Unit described in Article 16.1 on transactions specified in to Article 7 of this Law:

- 4.1.1. banks;
- 4.1.2. non-bank financial institutions;
- 4.1.3. insurance companies and insurance licensed entities;
- 4.1.4. investment funds; investment management company;

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

- 4.1.5. licensed securities market entities;

- 4.1.6. savings and credit cooperatives;
- 4.1.7. real estate agents who are involved in activity of buying and selling of real estate on behalf of a client;

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

- 4.1.8. Dealers of precious metals and precious stones, and parties engaged in sales of those manufactured items – when they engage in any transaction with a customer equal to or above the threshold specified in Article 5.1.2.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

- 4.1.9. Notaries, lawyers, accountants and other financial management counsellors – when they involved in following activities on behalf of a customer:

- 4.1.9.a. buying and selling of real estate;
- 4.1.9.b. managing of client's assets;
- 4.1.9.c. management of bank, savings or securities accounts;
- 4.1.9.d. organising of contributions for the creation, operation or management of companies;
- 4.1.9.e. creation, operation or management of legal persons or arrangements, and buying and selling of business entities.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

4.2. Entities described in Article 4.1 shall not 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. Entities described in Article 4.1 shall assess risk of money laundering or terrorist financing in relation to following types of risks, taking into consideration specifics of own activity and framework,:

- 4.3.1. Customer risk,
- 4.3.2. Product and services risk,
- 4.3.3. Product and services delivery channel risk,
- 4.3.4. Geographic risk.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

4.4. Documents and information used for assessing risks shall be retained according to Article 8 of this law, in a way that they can be made available on timely basis to a supervisor or a state inspector.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

#### **Article 4<sup>1</sup>. Identifying the beneficial owner**

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

4<sup>1</sup>.1. The beneficial owners should be identified through the following steps:

4<sup>1</sup>.1.1. The identity of the natural persons who ultimately have a controlling ownership interest in a legal person solely or jointly with others;

4<sup>1</sup>.1.2. If 4.1.1 of this article cannot be identified then the identity of the natural persons exercising control of the legal person indirectly or represented own rights by others;

4<sup>1</sup>.1.3. If 4.1.1 and 4.1.2 of this articles cannot be identified then the identity of the relevant natural person, who holds the position of senior managing officials.

4<sup>1</sup>.2. All other specific requirement should be regulated by regulation specified in Article 5.14 of this law.

## **Article 5. Customer due diligence**

5.1. Entities described in Article 4.1 shall identify and verify customer information based on reliable official sources of information, documents and information sources in the following circumstances:

5.1.1. prior to establishing a financial relation;

5.1.2. prior to conducting a occasional transactions equal to or more than 20 million togrogs (or equivalent foreign currency) of entity who has not established consistent business relations and who has no permanent bank account;

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

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

5.1.5. if there are grounds to suspect that the customer or the transaction is involved with money laundering or terrorism financing;

5.2. For the purposes of identifying and verifying customer information pursuant to Article 5.1 entities described in Article 4.1 shall take following procedures:

5.2.1. if a customer is an individual, entities shall request the customer's full name, date of birth, registration number, and a copy of identify card or passport (an officer who receives the information shall verify it with the original document and make the note about the authenticity free of charge), notarized copy of an identity card if delivered by post;

5.2.2. if a customer is a legal entity, request its name, address, national registration and tax payer number, contact phone number, a copy of its national registration certificate (an officer who receives the information shall verify it with the original document

and make note about the authenticity free of charge), notarized copy of the document if delivered by post and detailed information on its management;

5.2.3. For the purposes of understanding and knowing whether the account is opened and/or transaction is conducted on behalf of a beneficial owner, entities shall clarify information on the nature of the business relationship, purpose and ultimate beneficiary of transaction;

5.2.4. if a customer is a legal entity, entities shall identify full name of a beneficial owner, and take reasonable measures to verify the identity of the beneficial owner, and understand the ownership and control structure of that customer;

5.2.5. if a customer is a legal person or arrangement entities shall verify that any person purporting to act on behalf of the customer is so authorized, and shall identify full name and shall verify it with the original document of that person;

5.2.6. entities shall clarify full name, registration number, residential address, contact phone number and account number of a sender and a receiver of wire transfers between banks and other financial institutions.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

5.3. Entities described in Article 4.1 should assess risks and take enhanced due diligence measures for high risk customers; such measures shall be regulated by regulation specified in Article 5.14 of this law.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

5.4. Entities described in Article 4.1 are obligated to refuse to provide service if a customer refuses to provide information as stipulated in Article 5.2 and Article 5.3.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

5.5. Entities described in Article 4.1 may take simplified due diligence measures in context of specified in Articles 5.2.1 and 5.2.2 for following circumstances:

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

5.5.1. if the customer is public and local administration; public company listed on stock exchange and subject to disclosure requirements of shareholder and beneficial owners;

5.5.2. reporting entities with similar preventive measures requirements when dealing with each other.

5.6. Entity described in Article 4.1.1 shall obtain following information prior to opening a correspondent account in a foreign bank to make international remittances, wire transfer, or payments:

- 5.6.1. Information to understand fully the nature of the bank's business;
- 5.6.2. Information about the reputation of the institution
- 5.6.3. Obtain approval from senior management and communicate rights and responsibilities of the parties;
- 5.6.4. Information on the respondent's AML/CFT policies, internal monitoring programs;
- 5.6.5. Information whether the bank has been subject to or linked to money laundering and terrorist financing investigation or regulatory actions.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

5.7. Entities described in Article 4.1.1, Article 4.1.2, Article 4.1.3, Article 4.1.4, Article 4.1.5, Article 4.1.6 to Article 4.1.7 shall be prohibited from the following:

- 5.7.1. Entering into correspondent banking relationships with shell banks;
- 5.7.2. Entering into correspondent banking relationships with banks that have relationships with the shell banks;
- 5.7.3. To continue correspondent banking relationship with shell banks, if it had previously entered into relationship.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

5.8. Entities described in Article 4.1 shall regularly identify and assess the money laundering or terrorism financing risks in relation to the development of new products and new technology and undertake risk mitigation measures.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

5.9. The following customers shall be viewed as high risk:

- 5.9.1. Politically exposed person;
- 5.9.2. Natural and legal persons from countries identified by international AML/CFT organizations as not having adequate AML/CFT systems.
- 5.9.3. Natural and legal persons conducting activities in the sector identified as high risk by the National Risk Assessment (NRA).

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

5.10. Wire transfers received, intermediary processed, and transferred by the entities described in Article 4.1 of this law shall contain originator and beneficiary information. The financial institution should not execute the wire transfer if it does not comply with the requirements specified above.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

5.11. Entities described in Article 4.1 shall conduct ongoing due diligence as required by Article 5 and shall update the information on timely basis.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

5.12. If entities described in Article 4.1.1, Article 4.1.2, Article 4.1.3, Article 4.1.4, Article 4.1.5, Article 4.1.6 to Article 4.1.7 relying upon a third party to conduct CDD measures shall be regulated by the regulation specified in Article 5.14 of this law.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

5.13. If entities described in Article 4.1.1, Article 4.1.2, Article 4.1.3, Article 4.1.4, Article 4.1.5, Article 4.1.6 to Article 4.1.7 relying upon a third party to conduct CDD measures shall not be exempt from legal liabilities.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

5.14. Preventive measures regulation (PMR) shall be approved by the Governor of the Bank of Mongolia upon consulting with Member of the Government in charge of finance, Member of the Government in charge of legal affairs, Chair of the FRC, Chair of the General Intelligence Agency. PMR shall contain following measures:

- 5.14.1. Measures to identify beneficial owners;
- 5.14.2. Requirements for CDD measures;
- 5.14.3. Requirements for Enhanced due diligence measures;
- 5.14.4. Requirements for when relying upon a third party to conduct CDD measures;
- 5.14.5. Requirements for conducting risk assessment;
- 5.14.6. Details of AML/CFT internal procedures;
- 5.14.7. Measures to undertake in relation to sanctions list;
- 5.14.8. Other related measures.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

## **Article 6. Enhanced monitoring of transactions**

6.1. Entities described in Article 4.1 shall undertake enhanced monitoring of the following transactions:

- 6.1.1. transactions with unusually large amount;
- 6.1.2. transactions that have no apparent economic or lawful purpose;
- 6.1.3. transactions conducted in the name of a politically exposed persons;
- 6.1.4. transactions made via countries that are defined by the AML/CFT international organizations as the strategically deficient in anti-money laundering and combating the financing of terrorism regime;



6.2. Entities described in Article 4.1 shall undertake all possible measures to obtain additional information, explanation and examine purpose of transaction and business relationships of transaction specified in Article 6.1 and findings shall be kept documented.

**Article 6<sup>1</sup>. Implementation of sanctions issued by the UNSCR and other relevant authorities**

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

6<sup>1</sup>.1. Entities described in Article 4.1 shall be prohibited to provide any services to natural and legal persons, groups designated in the sanctions lists issued according to Article 6.1.4 of the Anti-terrorism law in conform of the UNSCR.

6<sup>1</sup>.2. Entities described in Article 4.1 must freeze without delay and without prior notice accounts, funds or other assets of natural and legal persons, groups designated in the sanctions lists and are prohibited from making transactions without an approval of relevant authorities, and inform to the FIU.

6<sup>1</sup>.3. Entities described in Article 4.1 shall apply enhanced CDD measures on customers from countries, regions with inadequate AML/CFT systems and if it necessary, shall apply appropriate countermeasures according to the law when called upon by international AML/CFT organisations.

6<sup>1</sup>.4. Procedures for informing sanctions list to reporting entities, its implementation, reporting actions and other measures specified in the law shall be regulated by the regulation specified in Article 5.14 of this law.

**Article 7. Reporting of transactions**

7.1 Entities described in Article 4.1 shall submit a report about cash and foreign settlement transactions above 20 million togrog to the Financial Information Unit within 5 working days in accordance with approved procedures and formats.

7.2. If entities described in Article 4.1 suspects or knows that an asset, income or transaction, or attempted transaction is related to money laundering or terrorism financing, or is related to proceeds of crime it shall submit a Suspicious Transaction report to the Financial Information Unit within 24 hours in accordance with approved procedures and formats.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

7.3. Entities described in Article 4.1 shall deliver the information to the Financial Information Unit by fax, in electronic form, or in writing in accordance with approved procedures and formats.

7.4. Entities described in Article 4.1 shall provide information on specific transactions and their participants to competent law enforcement authorities and anti-terrorism authorities in accordance with the dissemination regulation jointly adopted by the Governor of the Bank of Mongolia and the Member of the Government in charge of legal affairs.

#### **Article 8. Record keeping of information and documentation of customers**

8.1. Entities described in Article 4.1 of this law shall retain information and records of transactions, accounts and information of customers obtained in accordance with Article 5 and 6 of this law for at least five years after the date of transaction or the closure of the account.

8.2. Entities described in Article 4.1 of this law shall keep records and information specified in Article 8.1 of this law in a way that they can be made available on timely basis to competent authorities.

#### **Article 9. Suspicious transactions information**

9.1. The Suspicious transaction information sending to FIU shall contain following information:

9.1.1. Name and addresses of the entities described in Article 4.1 of this law and the identity of the officials who submitted the information;

9.1.2. Information on customers and beneficiaries;

9.1.3. Information on purpose, value, form, date, account number, account holder and other participants of the transaction;

9.1.4. Brief explanation of grounds and circumstance to suspect the transaction;

9.1.5. Other related documents.

9.2. The FIU shall have the right to request additional information, such as the account statement of entity associated with suspicious transactions, copy of the documents used to open an account, and risk assessment documents of the customer.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

#### **Article 10. Monitoring of accounts**

10.1. If there are grounds to suspect that an account of a customer of an entity described in Article 4.1 of this law is used for money laundering and terrorism financing purposes the FIU may monitor that particular account.

### **Article 11. Asset suspension, freezing**

11.1. If there are grounds to suspect that a transaction is used for the purposes of money laundering or terrorism financing the Head of the Financial Information Unit may suspend the transaction up to 3 working days and a court shall extend the period if required.

11.2. The decision specified in Article 11.1 of this law shall be forwarded to the reporting entity in writing but if this is impossible, the latter shall be notified by phone, to be followed by a written notice within 24 hours.

11.3. During the suspension of a transaction initiated in accordance with Article 11.1 of this law, the Financial Information Unit shall undertake the following measures;

11.3.1. Obtain 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 terrorism financing, then it shall be reported to the competent authorities and the related documents shall be sent to those parties for investigation;

11.3.3. If it is established that the given transaction did not have the purpose of money laundering or terrorism financing, then the suspension decision shall be annulled and the an entity described in Article 4.1 of this law shall be immediately notified.

### **Article 12. Exemption from liability**

12.1. The submitting of reports by entities described in Article 4.1 to the Financial Information Unit and competent authorities, in accordance with provision of this Law, shall not be deemed as a breach of banking, professional, customer, business entity or organization, business or other secrecy confidentiality.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

12.2. If information submitted by entities described in Article 4.1 has not been proven to be relating to money laundering and terrorism financing shall not serve as ground to impose civil, criminal and other liability on the person and entity submitted such an information.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

12.3. Any harm, caused to a citizen or a legal person, whose specific transaction was suspended according to Article 11 of this Law, shall not serve as ground to impose civil, criminal and other liability on management and employees of entities described in Article 4.1 of this Law and on employees of the Financial Information Unit.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

12.4. A matter of eliminating any harm caused to a person or legal entity due to unlawful actions undertaken by entities described in Article 4.1 and FIU, should be settled according to the related laws.

### **Article 13. Confidentially of information**

13.1. Entities described in Article 4.1. of this Law, its management and employees shall not disclose any information related to the transaction reported to the Financial Information Unit to other entity other than those specified in in Article 7.4 of this Law.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

13.2 The Head, supervisors, analysts and other officers of FIU shall not disclose at any time confidential information related to customers' transactions other than for purposes authorised by this Law even after the end of his/her tenure.

### **Article 14. Internal monitoring of reporting entities**

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

14.1. The entities described in Article 4.1 hereof shall have the Internal Monitoring and Risk Management Program aimed at combating money laundering and terrorism financing adopted by its Board of Directors or equivalent management body.

14.2. The Internal Monitoring and Risk Management Program of the entity described in Article 4.1 of this Law shall comply with the scope of business, the specific features and structure of the entity and shall enable effective measures to reduce and prevent the risk of money laundering and terrorism financing.

14.3. The Internal Monitoring Program shall be implemented in the same way as the financial entities, branches and subsidiaries of the entities specified in Article 4.1 of this Law.

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

14.4.1 Methodology for evaluating risks of money laundering and terrorism financing related to customer, products, services and delivery channels;

14.4.2. Procedures for high risk customers CDD;

- 14.4.3. Procedures for measures of mitigating risks of new technology and risks related to customer, products, services and delivery channels;
- 14.4.4 Procedures for CDD and enhanced CDD;
- 14.4.5 Procedures when relying upon a third party for CDD;
- 14.4.6. Procedures for implementation of the sanctions issued by the UNSCR and relevant authorities;
- 14.4.7. Procedures for special monitoring;
- 14.4.8 Procedures for correspondent banking relations;
- 14.4.9. Procedures for money wire transfers and electronic payments;
- 14.4.10. Procedures for the detection of suspicious transactions, the confidentiality of information, reporting to the Financial Information Unit and other competent authorities, procedures for the transfer and retention of documents;
- 14.4.11 Procedures on the appointment and dismissal of employees in charge of implementation of the AML/CFT Law and the Internal Monitoring Program, its rights and obligations;
- 14.4.12. Internal training program to ensure implementation of the AML/CFT Law and other relevant regulations.
- 14.4.13. Other procedures and requirements necessary for implementation of this law and regulations issued conform of relevant laws.

14.5. The entity specified in Article 4.1 of this law shall submit for registration the Internal Monitoring Program to the relevant supervisory body to which it belongs.

14.6. The entity specified in Article 4.1 of this law shall monitor periodically the effectiveness of Internal Monitoring Program through the board of directors and its committee or through the independent internal control unit.

## **Article 15. Transportation of cash across the borders of Mongolia**

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

15.2. Mongolian Customs General Administration shall consolidate cash declarations made under Article 15.1 of this Law and transmit to the Financial Information Unit every month according to the relevant regulations.

15.3. The Format of declaration forms for the purpose of Article 15.2 shall be approved by the Head of the Mongolian Customs General Administration in consultation with the Head of the Financial Information Unit.

## CHAPTER THREE

### RIGHTS AND RESPONSIBILITIES OF STATE COMPETENT AUTHORITIES

#### Article 16. Financial Information Unit

16.1. The Financial Information Unit is the autonomous and independent agency whose functions are to receive information related to money laundering, related crimes and financing of terrorism, information specified in Article 7 of this law from entities described in Article 4.1, analyse them, and disseminate to the competent law enforcement authorities if transactions and transaction attempts are suspected to be related to money laundering and terrorism financing.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

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

16.3. The operation strategy and organisational structure of the Financial Information Unit shall be approved by the Head of Financial Information Unit, budget of the Financial Information Unit shall be approved by the Governor of the Bank of Mongolia based on the proposal made by the Head of the Financial Information Unit.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

16.4. The Head of the Financial Information Unit shall be appointed and dismissed by the Governor of the Bank of the Mongolia in 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. At least 5 years of relevant professional experience in banking, financial or legal sector;

16.5.2. have no outstanding liabilities according to loan and guarantee collateral agreements;

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

16.6.1. At least 2 years of relevant professional experience in banking, financial or legal sector;

16.6.2. Have no outstanding liabilities according to loan and guarantee collateral agreements;

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

16.8. The Governor of Bank of Mongolia shall appoint the senior state inspector and the senior state inspector shall appoint the state inspector.

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

16.10. The Head of the Financial Information Unit shall approve the regulation and guidance's related to the internal activities of the FIU.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

### **Article 17. Function of competent law enforcement authority**

17.1. The representatives of competent law enforcement authority should be seconded in the Financial Information Unit.

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

17.3. The representatives under Article 17.1 of this law shall be appointed and dismissed by the Head of Financial Information Unit in consultation with the head of competent law enforcement authority.

17.4. Joint working group of the Financial Information Unit and competent law enforcement authority can be established, when required.

### **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 Article 10 and 11 of this law:

18.1.1. To receive, collect, and analyse information reported from entities described in Article 4.1 of this law and as well as information in databases of relevant local and foreign institutions;

18.1.2. If there are sufficient grounds to suspect that the given transaction had the purpose of money laundering or terrorism financing, then it shall be disseminated to competent law enforcement authorities and anti-terrorism agencies according to the regulation and to compile database on reports of suspicious, cash and non-cash transactions submitted to the competent authorities;

18.1.3. To provide feedback on a timely basis about measures taken on suspicious, cash and non-cash transaction reports to entities described in Article 4.1 of this law and competent law enforcement authorities;

18.1.4. Develop and provide methodology to monitor and detect suspicious transactions and examine information related to money laundering and terrorism financing and monitor its implementation by the entities described in Article 4.1;

18.1.5. To enhance public awareness to combat and prevent money laundering and terrorism financing;

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

18.1.6 to inform the reporting entities about sanction list and organize the implementation thereof;

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

18.1.7. to present consolidated statistics about supervision, to perform supervision and to request to perform supervision related to enforcement of AML/CFT law;

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

18.1.8. To organize national risk assessment on AML/CFT, to draft national strategy based on risk assessment, to present for consideration to the Cooperation Council;

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

18.1.9. To organize measures to implement recommendations issued by international AML/CFT organizations.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

18.2. The supervisors of the Financial Information Unit shall have the power to examine the compliance of the laws to combat money laundering and terrorism financing and to require rectification of any breaches of the Law by entities described in Article 4.1, or to make recommendations to the competent authorities for further action including the cancellation of special licenses.

18.3. Financial Information Unit shall monitor how entities described in Article 4.1 and their officers fulfil their obligations imposed by this law.

18.4. The Financial Information Unit shall submit annual report of its activities on a yearly basis to the Financial Stability Council.



18.5. The Financial Information Unit shall have right to obtain information from state registration, property registration, social insurance registration, border crossing registration, investment registration, records of transactions between banks financial institutions, tax collection records from competent authorities for the purposes of performing duties prescribed in this law.

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

### **Article 19. Monitoring and ensuring compliance of reporting entities**

*/This article was amended by the Law of 26<sup>th</sup> April 2018/*

19.1. The Bank of Mongolia shall supervise and regulate entities described in Article 4.1.1 of this law and the Financial Regulatory Commission shall supervise and regulate entities described in Article 4.1.2, Article 4.1.3, Article 4.1.4, Article 4.1.5, Article 4.1.6, Article 4.1.7 of this law, competent authorities for issuing special licences, supervising authority shall supervise and regulate entities described in Article 4.1.8 through 4.1.9 of this law by risk based approach to ensure compliance with their obligations imposed by this Law and relevant regulations.

19.2. Competent authorities specified in Article 19.1 of this law and Financial Information Unit shall take the following actions in relation to monitoring compliance with this law:

19.2.1. To perform on-site and off-site supervisions, to issue guidelines, regulations and recommendations and inspection directive for entities specified in Article 4.1 of this Law;

19.2.2. To obtain the documents, reports, information and explanations for purpose of ensuring the implementation of the obligations of the law from entities specified in Article 4.1 of this Law;

19.2.3. To set requirements for significant shareholders, source of share capital, executive management and staff;

19.2.4. If the participating financial company in the group is registered or located in another country, the agency responsible for 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. Competent authorities' charge of the relevant supervision of entities specified in Article 4.1 of this Law shall cooperate with each other in and with the Financial Information Unit, to ensure the unity of inspection activities;

19.2.6. Publicize and maintain statistics concerning measures adopted and sanctions imposed in enforcing this Law;

19.2.7. To conduct joint supervision with the BoM, the Financial Regulatory Commission and Member of the Government in charge of finance if they deem necessary to monitor the implementation of the law within the financial group;

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

19.4. If deemed necessary Financial Information Unit can conduct joint supervision of entities described in Article 4.1 with authorities described in Article 19.1 of this law.

#### **Article 20. Database**

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

20.2. The regulation on storage and use of information in the database described in Article 20.1 shall be approved by the Head of the Financial Information Unit.

#### **Article 21. Cooperation with similar foreign institutions**

21.1. The Financial Information Unit should 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 the required information at the request of the institutions described in Article 20.1 and in accordance with the respective laws.

### **CHAPTER FOUR MISCELLANEOUS**

#### **Article 22. Cooperation Council**

22.1. The Cooperation Council, with function to ensure the implementation of laws related to combating the money laundering and terrorism financing, exchange information, mitigate risk and prepare recommendations on preventative measures shall be established at the Financial Information Unit.

22.2. The Cooperation Council shall be consisted of representatives of Ministries in charge of foreign relation, finance, justice, Prosecutor office, Bank of Mongolia, Financial regulatory commission, Law enforcement authorities, organizations responsible of combating terrorism financing, taxation and custom authorities and the Financial Information Unit.

22.3. The function of secretariat of Cooperation Council shall be implemented by the Financial Information Unit.

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

### **Article 22<sup>1</sup>. National Committee**

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

22<sup>1</sup>.1. The National Committee shall be established under the Prime Minister, with function to draft national AML/CFT policy, strategy to be approved by the Government and to take policy decisions to implement it.

22<sup>1</sup>.2. The National Committee shall be chaired by the Member of the Government in charge of legal affairs, should be consisted of representatives of Member of the Government in charge of finance, Member of the Government in charge of foreign affairs, Prosecutor office, Bank of Mongolia, Financial regulatory commission, Law enforcement authorities, organizations responsible of combating terrorism financing, taxation and custom authorities and the Financial Information Unit.

22<sup>1</sup>.3. The function of secretariat of the National Committee shall be performed by the Financial Information Unit.

### **Article 23. Liability for breach of the Law**

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

23.2. If a violation of this law and regulations issued conform of this law; possible violation is discovered during supervision; non-compliance with the term of the license is not a criminal offense public official of the competent authorities described in the Article 19.1 of this law shall impose following rectification measures;

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

23.2.1. Rectification warning notice, rectification orders with deadline;

23.2.2. To assign task to entities described in Article 4.1 of this law to improve, strengthen structure, operations, risk management, internal monitoring;

23.2.3. To make recommendations to the competent authorities of entities described in Article 4.1 of this law for further action including partially or wholly limitation, suspension, cancellation of special licenses.

23.2.4. To make issue order to cancel, suspend and change of the high level management officials of the entities described in Article 4.1 of this law.

23.3. If the officials not complaining with the rectification measures described in the Article 23.2 of this law, sanctions imposed under the Law on Infringement should be used.

*/This article was added by the Law of 26<sup>th</sup> April 2018/*

**Article 24. Coming into force**

24.1. This law shall come into force on 31 May, 2013.

SPEAKER OF  
THE GREAT KHURAL  
OF MONGOLIA

Z.ENKHBOLD