

**DECREE OF THE GOVERNOR OF THE BANK OF MONGOLIA**

*Date: July 03, 2012*

*No. A-99*

*Ulaanbaatar*

***Re: Approving new regulation***

Upon the article 28.1.2 of The Law on Central Bank (The Bank of Mongolia), article 18.2 and article 22 of The Banking law of Mongolia and minutes of meeting #12 of BOM Board of Directors meeting held on 05 April 2012, the Governor ORDERS:

1. “Regulation on bank unit” is being approved as stipulated in annex.
2. Supervision Department /B.Lkhagvasuren/ shall be responsible for the review of an implementation of this ordinance.

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THE GOVERNOR  
THE BANK OF MONGOLIA

## **THE REGULATION ON BANK UNIT**

### **One. General provision**

- 1.1. The objective of this regulation is to regulate procedures for issuing permission to creating bank unit, monitoring the required documentation and repealing its permission in terms of article 18 of The Banking Law of Mongolia.
- 1.2. Terms used in this regulation shall have following meaning:
  - 1.2.1. “Bank unit” refers to as stipulated in article 3.1.13 of the Banking Law of Mongolia.
  - 1.2.2. “Bank head-quarter” refers to headquarter of the bank domiciled in capital of Ulaanbaatar.
  - 1.2.3. “Bank branch” refers to banking unit, has no capacity of legal body, that run full scope of operation or some parts of it or partial operation which requires duly special permission from BOM. The bank headquarter shall perform for managing, auditing, and structuring activities for branch operation and shall furthermore set the limitations on loan volume and relevant rights applicable for bank branch. Bank branch may have affiliate settlement center and cash-desk.
  - 1.2.4. “The settlement center” stands for smaller scope banking unit, under effeir of bank headquarter or bank branch, which has main functions as open current and savings accounts from legal entities and individuals, perform payment and settlement operations and issue loans within its limitations and capacity set bank quarter or sovereign affiliating branch.
  - 1.2.5. “The cash-desk” refers to smallest scope banking unit that operates under bank branch which has functions such as opening current and savings accounts from legal entities and individuals, buying and selling foreign currency upon ordinary permission of foreign payment and settlement and performs payment and settlement service.
  - 1.2.6. “The bank representative office” means banking unit which doesn’t run banking business, domiciled in different place than bank headquarter at and it aims to represent the bank legally at wherever e.g. to protect and foster any legitimate interest of the bank and make agreement on behalf of the bank.
- 1.3. BOM shall issue general permission for creating bank representative office, branch and settlement center.
- 1.4. The bank shall decide the issues as creating cash-desk or liquidate it internally.
- 1.5. Stamp duty and service commission which arising relevant to establishing bank unit shall be set by the decree of the governor of the BOM.

### **Two. Issuing permission to establish bank branch and settlement center, suspending, objecting and repealing the permission**

- 2.1. BOM shall issue permission to establish branch and settlement center for the bank meets following requirements, of which:

- 2.1.1. In terms of article 16 and article 17 of The Banking Law of Mongolia and Prudential ratios set by BOM, the bank shall retain the ratio for last 6 months continually.
- 2.1.2. Unsatisfactory (equivalent 3) or above rating obtained from the Supervision Department of the BOM, in accordance with “Regulation on the full scope on-site examination and evaluation of the bank’s operation and financial position” which approved by decree №444 of the governor of the BOM on 2001.
- 2.1.3. Bank operates smoothly (i.e. there shall not any actions taken such as suspending, restricting, under control of the BOM within duress) at the time bank applies for the permission.
- 2.2. Supervision Department shall develop proposal on whether to issue general permission to establish branch and settlement center or not on a basis of reviewing criteria stipulated in article 2.1 of this regulation and shall present it to the Governor of the BOM.
- 2.3. Based on Supervision Department proposals, the Governor of the BOM shall issue general permission to establish branch and settlement center for each bank.
- 2.4. General permission shall be issued twice a year, each with 6 months period.
- 2.5. Bank shall notify to BOM about establishing branch and settlement center based on general permission obtained by the governor of BOM timely. Furthermore, bank shall make it official by updating the information in terms of establishing new one and/or changing location of branch and settlement center in the written annex of the banking license.
- 2.6. Based on payment slip of paid fee for general permission to establish branch and settlement center, Payment and Accounting Department of BOM shall provide the particular system code to perform payment and settlement to a new branch and settlement center within 3 working days.
- 2.7. Bank shall make decree of the Board of directors or executive director official notification on whenever establish bank unit, liquidate and constraining its operation, restructuring (i.e. consolidate, combine, divide, separate, change) and change its location. Bank shall inform to the customers about this matter within no later than 3 working days since decision made and shall submit official letter to BOM in order to get it registered.
- 2.8. Payment and Accounting Department of BOM shall update coding system of inter-bank settlement within 3 working days from the date receiving notification stated in article 2.7 of this regulation.
- 2.9. If it is determined due either on-site or off-site supervision that bank breaches the Banking Law of Mongolia in some way and/or the bank can’t meet the criteria stipulated in this regulation any longer, BOM may suspend general permission for a certain period e.g. up to 3 months.
- 2.10. BOM could repeal decree/decision to establish bank unit if it is identified through BOM supervision that there is considerable case to violate customer’s rights, particular incidence/condition that may cause difficulties for soundness of banking regular operation, finance and solvency occurred or the bank cannot meet requirement in this regulation as well as other banking legislations.
- 2.11. In case that BOM repealed the particular permission to establish bank unit upon bank bearing enforcement actions, general permission is considered invalid along.

**Three. Issuing permission to representative office of foreign banks and suspending, objecting and repealing the permission**

- 3.1. Foreign bank that meets requirements set in article 2.3 of “Regulation on Banking License” approved upon decree of the Governor of the BOM № A-80 dated on 2012 could apply and submit its request to BOM about opening representative office in Mongolia.
- 3.2. To establish representative office in Mongolia, foreign bank is required to submit notarized copy of documents stipulated in article 22.1 of the Banking Law of Mongolia and following documents both in English and Mongolian:
  - 3.2.1. Official request from foreign bank and financial institutions concerning on to obtain permission to establish representative office,
  - 3.2.2. Decision to establish representative office in Mongolia which made by Board of Governors or equivalent sovereign authority of the applying foreign bank and financial institutions,
  - 3.2.3. Documents of foreign bank that can confirm applying bank is already registered to sovereign authority of origin country which issues permission on establishing bank country and maintains banking supervision, no objection letter or up-front decree that permits for establishing representative office in the Mongolian territory,
  - 3.2.4. The decree on appointment of management (i.e. key personnel) for representative office,
  - 3.2.5. Last three year financial statements of foreign bank and financial institutions that certified by internationally recognized audit firms,
  - 3.2.6. Rating made by internationally recognized rating organizations (such as S&P, Fitch and Moody’s)
  - 3.2.7. Charter of representative office, including following information, of which:
    - 3.2.7.1. Official address of domiciliation,
    - 3.2.7.2. Organization, structuring and its business;
    - 3.2.7.3. Principle on cooperating with foreign bank and financial institutions rights and duties and responsibilities;
    - 3.2.7.4. Operational principle, basis for liquidation and restructuring, right & duties and responsibilities of executive management;
    - 3.2.7.5. Control and monitoring system to be performed by foreign bank and financial institutions;
    - 3.2.7.6. Other necessary concerns.
  - 3.2.8. Applications of executive officer for representative office in accordance with Annex 2 of this regulation,
  - 3.2.9. Regulations to be applied for operations or particular activities of representative office /guidelines, regulation, directives etc/. These regulations shall be in compliance with Mongolian laws and other legal acts and codes approved by BOM,
  - 3.2.10. Payment slip conforming stamp duty paid,
  - 3.2.11. If it is deemed foreign bank and financial institutions sufficiently met above requirements to establish representative office in Mongolia, in the next phase it shall provide

information on any duress actions taken on the applying foreign bank and financial institutions by relevant Central bank or Banking supervision sovereign authority of an origin country,

- 3.2.12. Other necessary materials.
- 3.3. If BOM considers additional supplementary documents required at result of reviewing submitted documents, BOM shall inform to founders of the representative officers by official letter.
- 3.4. Representative office of foreign bank and financial institutions shall operate under the name “..... /Name of the foreign bank or financial institution/ representative office”.
- 3.5. Supervision Department shall present its proposal on whether to issue permission or not to the Governor of BOM by reviewing documents stated in article 3.2 of this regulation in compliance with Annex 1 of this regulation occupying principle stated in article 3.1 of “Regulation on Banking License” approved upon decree #A-80 by Governor of BOM on 2012.
- 3.6. Permission to establish representative office in Mongolian territory shall be obtained upon decree of the Governor of the BOM.
- 3.7. If BOM found out that representative office is breaching The Banking Law of Mongolia or it can't meet the requirements stated in this regulation as result of its supervision, BOM may suspend permission for up to 3 months.
- 3.8. BOM may object to issue permission to establish representative office on basis of article 3.6 of “Regulation on Banking License” approved upon decree #A-80 by governor of BOM on 2012.
- 3.9. This regulation is not applicable for representative office of International Finance Cooperation Organizations that Mongolia joined as a member upon Mongolian Law or Government resolution.

#### **Four. Issuing permission to establish bank unit in foreign countries and suspending, objecting and repealing the permission**

- 4.1. Domestic banks that has headquartered and registered in Mongolia shall get permission to establish bank unit in foreign countries.
- 4.2. Bank that applying for permission to establish bank unit in foreign countries shall satisfy following criteria:
  - 4.2.1. Bank has operated stable for more than 2 years period from the date received banking license from the BOM.
  - 4.2.2. Bank has complied article 16 and article 17 of The Banking Law of Mongolia and has retained prudential ratios to banking operation for last 1 year sufficiently.
  - 4.2.3. “Good” (equivalent 2) or above rating obtained from the Supervision department of the BOM, in accordance with a full scope on-site examination of the BOM.
- 4.3. Bank that satisfies criteria stated in article 4.2 of this regulation shall submit its request to establish bank unit in foreign country along with following documents:
  - 4.3.1. Board of Governors decree on establishing bank unit in foreign countries,
  - 4.3.2. Operational function,

- 4.3.3. Preliminary permission from sovereign authority issues permission to establish bank in host country, or memorandum letter about this matter,
- 4.3.4. Economic initiative to open bank unit in host country, unit charter and strategy plan.
- 4.4. Supervision Department shall receive the official request to open bank unit in foreign country and it shall evaluate and prepare opinion within 30 working days by assessing whether documents met requirements stated in article 4.2 of this regulation or not and whether bank submit all required documents completely and fairly or not.
- 4.5. Based on assessment opinion of Supervision department, the Governor of BOM shall issue permission to establish bank unit in foreign country. It shall stipulate the operational function clearly.
- 4.6. If it is identified that bank breaches any banking legislations or it can't meet the requirements stated in this regulation as result of BOM supervision, BOM may suspend bank unit permission for certain period e.g. up to 3 months.
- 4.7. In case that bank can't satisfy requirements set in article 4.2 of this regulation or documents stated in article 4.3 are fabricated or it includes wrong or inaccurate information, BOM may reject to issue permission to establish bank unit in foreign country.
- 4.8. Supervision department shall deliver its decree letter that rejected to establish bank unit in foreign country and it shall retain and keep relevant documents in the bank profile.
- 4.9. Bank may address to establish bank unit to Central bank or other sovereign authority of a host country(s) on the basis of decree on permission to establish bank unit in foreign countries provided by BOM.
- 4.10. Based on a decree proving relevant sovereign authority of host country obtained permission to establish Mongolian bank unit in its country territory and payment slip of stamp duty paid, Supervision department shall note and certify relevant information in the annex of banking license.
- 4.11. If the sovereign authority of host country rejected to obtain above permission, bank shall notify in form of official letter to Supervision Department within 10 days after such decision made. Based on above official letter, governor of BOM shall enact decision to repeal permission given earlier by BOM.

#### **Five. Control and responsibilities**

- 5.1. Bank CEO, Internal Auditing Department and competent body responsible for bank unit division and/or office) shall maintain control to the operation of the bank unit.
- 5.2. Quarterly report of bank unit shall be prepared according to Annex 3 of this regulation and it shall be submitted to BOM no later than 5th day of first month of next quarter.
- 5.3. In course of full scope or partial on-site examination for a bank, if necessary, BOM may examine the operation of bank unit.
- 5.4. BOM is obliged to supervise operation of representative office of any bank.
- 5.5. If bank established bank unit without permission from BOM, bank shall be imposed by actions stated in article 68.1.1 of the Banking Law of Mongolia.

- 5.6. BOM shall not responsible for any costs rising related to repeal bank permission on unit operation on the basis stated in this regulation.
- 5.7. BOM shall monitor the enforcement of this regulation and shall charge any violators of banking legislation with sufficient responsibilities in accordance with relevant regulations.

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**CHECKLIST FOR DOCUMENTS REQUIRED FOR ESTABLISHING  
REPRESENTATIVE OFFICE OF FOREIGN BANKS**

Request letter to establish representative office of .....Bank
Date received documents: 20. . . year . . . month . . . day

- Table shall be filled out only in black color pen
- If bank submitted the relevant document, please tick "✓" it. If bank didn't submit the document or it is incomplete, please put "–" in the relevant cell.

№	Name of the documents to be submitted		
1.	Official request from foreign bank and financial institutions concerning on to obtain permission to establish representative office	✓	-
2.	Decision to establish representative office in Mongolia which made by Board of Governors or equivalent sovereign authority of the applying foreign bank and financial institutions	✓	-
3.	Official documents of foreign bank that can confirm applying bank is already registered to sovereign authority of origin country which issues permission on establishing bank country and maintains banking supervision, no objection letter or up-front decree that permits for establishing representative office in the Mongolian territory	✓	-
4.	The resolution on appointment of management (i.e. key personnel) for representative office	✓	-
5.	Last three year financial statements of applying foreign bank and financial institutions that certified by internationally recognized audit firms,	✓	-
6.	Certification of rating made by internationally recognized rating organizations	✓	-
7.	Applications of executive officers for representative office in accordance with Annex 2 of this regulation	✓	-
8.	Regulation, conventions and guidance to be applied for operations or particular activities of representative office	✓	-
9.	Payment slip of paid stamp duty	✓	-
10.	Charter of the Representative office	✓	-
11.	Other necessary documents	✓	-



**If completion of documents meets requirements:**

In accordance with requests and relevant documents from ..... Bank to establish Representative office are complete, hereby it is notifying receipt of documents on 20..year month ....day to Bank through official letter ....dated on 20... year ...month...day.

**Documents completion examined by:**

Supervisor of the Supervision Department ..... (.....)

signature name

**Reviewed by:**

Senior supervisor of the Supervision Department ..... (.....)

signature name

Director of the Restructuring & Policy regulation Division ..... (.....)

signature name

Director of the Supervision Department ..... (.....)

signature name

**Introduced to:**

The Deputy Governor. .... (.....)

signature name

**If completion of documents meets requirements:**

In accordance with requests and relevant documents from ..... Bank to establish Representative office are incomplete, hereby it is notifying receipt of documents on 20..year month ....day to Bank through official letter ....dated on 20... year ...month...day.

**List of the missing documents:**

- 1) .....
- 2) .....
- 3) .....
- 4) .....
- 5) .....
- 6) .....

**Documents completion examined by:**

Supervisor of the Supervision Department ..... ( ..... )

signature name

**Reviewed by:**

Senior supervisor of the Supervision Department ..... ( ..... )

signature name

Director of the Restructuring & Policy regulation Division ..... ( ..... )

signature name

Director of the Supervision Department ..... ( ..... )

signature name

**Introduced to:**

The Deputy Governor. .... ( ..... )

signature name

This application shall be filled out neat only by hand using black color pen

**RESUME OF EXECUTIVE OFFICER OF THE REPRESENTATIVE OFFICE OF ..... BANK**

Registration ID:

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Number of National identity:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(please attach notarized copy of national identity)

**1. PERSONAL INFORMATION**

1.1.Surname: ..... Given name: .....

1.2.Sex: .....

1.3.Date of birth: ..... year ..... month ..... day

1.4.Place of birth: .....

1.5. Nationality: .....

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1.6. Following personal information shall be collected, of which:

1.6.1. Reference on whether he/she has any due default upon loan and guarantee contract or not,

1.6.2. Reference on whether he/she has any due to Customs and Taxation Authority,

1.6.3. Clarification on whether he/she has ever been sentenced by economical and entity criminal offence.

1.7. Family (shall write people who are only in family registration):

Relation with you	Surname & given name of family member	Date of birth	Place of birth	Position held currently

**2. EDUCATIONAL INFORMATION**

<i>Education</i>	<i>Obtained where (Name of country and city)</i>	<i>Name of Institution</i>	<i>Gained education/ educational degree</i>	<i>Major</i>
High school				
University				

*Foreign language proficiency:* English , Russian , Dutch , French , Chinese , Korea , other .

*About professional preparations (training courses etc):* (Shall write in-depth practicing and specialization for any job, major and other purpose)

Country and name of the training/course Organization	When	Route	Attended period

**3. WORKING EXPERIENCE**

Organization worked, name of the position	Starting date	Finishing date	Reason of leaving

**4. OTHER INFORMATION**

4.1.Home address: \_\_\_\_\_

4.2.Cell phone #: \_\_\_\_\_ Office telephone: \_\_\_\_\_

4.3.E-mail address: \_\_\_\_\_

I herein certify that all the above information is true and correct to the best of my knowledge.

.....( .....

signature

name

REPORT ON CHANGES AND MOVEMENTS OF BANK UNIT FOR .....BANK

Date: 20....year...month....day....

№	Number of branches			Settlement centers			Cash-desk			Number of bank units /previous quarter/	Number of bank units /current quarter/	Changes						
	UB	Local	Foreign country	UB	Local	Foreign country	UB	Local	Foreign country			Established new branches			Location changed			Other
												a) date of bank resolution	б) Number	в) established date	a) date of bank resolution	б) number	в) changed date	
1																		
2																		
3																		

Report prepared correctly:

CEO:

/name/

Director of Administration of Branch Unit:

/name/

Administrative staff of Branch Unit:

/name/