

REGULATION ON CENTRAL BANK OVERNIGHT DEPOSIT

One. General Provision

- 1.1 The purpose of this regulation is to govern operations concerning the overnight deposit placed in the account of commercial banks at the Bank of Mongolia with the purpose of implementing monetary policy as stated in the article 10, section 1 and article 14 of the Law on Central Bank (Bank of Mongolia).
- 1.2 “Overnight deposit” means monetary assets of a bank with excess reserves placed in the account of Bank of Mongolia during a period from the closing of “Banknet” system until the opening of “Banknet” system on the next working day.
- 1.3 Deposits placed in the account of Bank of Mongolia other than the overnight deposit are not applicable for this regulation.

Two. Conditions for overnight deposit

- 2.1 The duration for overnight deposit shall be from the closing of “Banknet” system until the opening of “Banknet” system on the next working day.
- 2.2 The rate of overnight deposit shall be approved by the Resolution of the Governor of the Bank of Mongolia.
- 2.3 The lower limit on the amount of overnight deposit shall be approved by the Resolution of the Governor of the Bank of Mongolia. The upper limit on the amount of overnight deposit shall be equal to subtracting the daily reserve requirement imposed on a particular bank from the bank’s current account ending balance at the central bank on a particular day.
- 2.4 The Bank of Mongolia shall not place collateral assets on overnight deposits.

Three. Main principles of overnight deposit

- 3.1 Commercial banks who have fulfilled the following conditions are entitled to use overnight deposit instrument:
 - 3.1.1 Has fulfilled the reserve requirement imposed by the Bank of Mongolia for the last three months;
 - 3.1.2 Has not committed any errors in the payment and settlement system.

Unofficial translation

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- 3.2 The balance of overnight deposit account at the Bank of Mongolia shall not be included as part of reserve requirement computed daily or on average of the particular bank.
- 3.3 The Bank of Mongolia shall not receive overnight deposit from commercial banks which had been issued overnight repo financing by the Bank of Mongolia.
- 3.4 The transaction to place overnight deposits at the Bank of Mongolia's account shall be the last transaction of a commercial bank on a particular day; whereas the transaction to return the deposits shall be the first transaction of a commercial bank on a particular day.
- 3.5 If the following day of overnight deposit placement coincides on a public holiday or a weekend, the overnight deposit shall be continuous in its duration and its rates are computed according to the calendar days.
- 3.6 The Bank of Mongolia reserves the right to decline any request for overnight deposit placement by commercial banks, in the case it may be in conflict with its monetary policy objectives or guidelines.

Four. Overnight deposit operations

- 4.1 Commercial banks which have fulfilled the conditions as specified in article 3.1 of this regulation shall send their request to place overnight deposit to International Department of the Bank of Mongolia (hereinafter referred to as ID) via Interbank Electronic Trading System (hereinafter referred to as IETS) from 17:00 to 17:10. If the bank is unable to send its request via IETS, the request shall be made through fax or official document.
- 4.2 The Bank of Mongolia shall not consider any requests received after the period specified in article 4.1 of this regulation.
- 4.3 The request to place overnight deposit by commercial banks shall include the following information:
 - 4.3.1 Date of overnight deposit placement;
 - 4.3.2 Name of a commercial bank;
 - 4.3.3 Number of the commercial bank's overnight deposit account at the Bank of Mongolia;
 - 4.3.4 Amount of overnight deposit to be placed;
 - 4.3.5 Signature and stamp of an authorized representative of the commercial bank (when the request is made through fax or official document).
- 4.4 Commercial banks shall not be allowed to withdraw their request once they enter it into the IETS and approve it.

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- 4.5 The Bank of Mongolia shall consider the request that was approved on the IETS to be the official and effective stand of the particular bank. The commercial bank shall be responsible for any operational risks that may arise out of unauthorized access to the IETS and unintended request being made on behalf of the commercial bank.
- 4.6 ID shall review the requests from commercial banks and deliver the decision whether or not to place overnight deposit via IETS before 17:15 to Payment and Accounting Department of the Bank of Mongolia (hereinafter referred to as PAD).
- 4.7 PAD shall transfer the amount of overnight deposit from the commercial bank's current account into its overnight deposit account as the bank's last transaction on a particular day and perform respective accounting procedures.
- 4.8 If there is not sufficient amount of monetary capital in the commercial bank's current account to transfer into its overnight deposit account, the Bank of Mongolia shall invalidate the request.
- 4.9 In the case of situation arising as specified in article 4.8 of this regulation, the Bank of Mongolia shall take the following measures:
- 4.9.1 Deliver an official warning notice to directors of the particular bank within the next working day;
 - 4.9.2 Charge pecuniary fine as specified in article 6.2 of this regulation;
 - 4.9.3 If the situation specified in article 4.8 of this regulation recurs three times during a period of six months, the particular bank's right to participate in the Central bank's open market operations and in the operation of standing facilities shall be suspended temporarily for consecutive 5 working days.
- 4.10 The Bank of Mongolia shall return the amount of overnight deposit together with its interest rate into the commercial bank's current account when the "Banknet" system opens on the following working day.

Five. Computing the interest rate on overnight deposit

- 5.1 The interest rate on overnight deposit shall be calculated by the following formula.

$$I = \frac{D * i * d}{100 * 360}$$

Where:

I – Amount of interest rate on overnight deposit

D – Amount of overnight deposit

i – Percentage rate on overnight deposit (annually, in percent)

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d – Number of calendar days the overnight deposit is placed

5.2 Method of “Real calendar days/360” is used when calculating the interest rate on overnight deposit.

Six. Miscellaneous

6.1 Accounting procedures of overnight deposit shall be performed in accordance to the effective “Regulation on accounting procedures of the Bank of Mongolia” approved by Resolution of the Governor of the Bank of Mongolia.

6.2 A penalty of 0.05 percent shall be charged to the amount of overnight deposit that has been invalidated according to the article 4.8 of this regulation and shall be deducted from the particular bank’s account within the next working day. The lower limit on the penalty shall be 1,000,000 (one million) tugrug and the upper limit on the fine shall be 5,000,000 (five millions) tugrug.

6.3 The Bank of Mongolia shall not charge any fee to commercial banks in relation to opening an overnight deposit account and placing into the account.

6.4 PAD shall record the balance of overnight deposit in the daily report on Bank of Mongolia’s outstanding balance of claims and debts.

6.5 The Bank of Mongolia shall keep information relating to the balance of overnight deposit account and the account owner secure.

6.6 The implementation of article 3.1 of this regulation shall be supervised by the Bank of Mongolia (Monetary Policy and Research Department and PAD).

6.7 Any conflict arising out of or in relation to the provisions of this regulation shall be resolved by parties negotiating and reaching a mutually accepted resolution. In the case of not achieving mutually accepted resolution, the conflict shall be resolved by the court of Mongolia.

6.8 Any person who has violated the provisions of this regulation shall be penalized according to the respective laws and regulations of Mongolia.