

## **THE BANK OF MONGOLIA REGULATION ON INTER-BANK HIGH-VALUE PAYMENTS**

### **ONE. GENERAL PROVISIONS**

1.1. The purpose of this regulation, as per section 5 clause 5 of the central bank law (The Bank of Mongolia) is to ensure reliable, true clearing and settlement of inter-bank high-value payments on the national scale.

1.2. The inter-bank high-value payments means to perform settlements between the Bank of Mongolia (BOM) and other banks using a shared financial network through current accounts of banks at the BOM.

1.3. The BOM and Treasury of the Ministry of Finance and Economics, commercial banks will participate in the high value inter-bank clearing settlement through their current account.

### **TWO. DEFINITIONS**

2.1. The following definitions will be used throughout this regulation:

2.1.1 “Bank” is commercial banks and the Treasury of the Ministry of Finance and Economics (MOFE)

2.1.2. “High-value payment” is an inter-bank transaction above the limit set by the Governor of the Bank of Mongolia or net settlement of the low-value payments.

2.1.3. “Shared Financial Network” is a network operated by the Bank of Mongolia Switch Clearing Center and is used by banks and the Treasury of the MOFE to send electronic messages

2.1.4 “The Paying Bank” is a bank that based on the contract with the Bank of Mongolia Accounting and Information Technology Department sends a high-value payment to another participant of the shared financial network

2.1.5 “The Receiving Bank” is a bank that based on the contract with the Bank of Mongolia Accounting and Information Technology Department receives a high-value payment to another participant of the shared financial network

### **THREE. CLEARING AND SETTLEMENT**

3.1. Branches of bank will transmit inter-bank high-value payments through their headquarters. Money flow, which is being transmitted between two banks, will be transmitted through the BOM only.

3.2. The BOM shall open the following accounts to conduct inter-bank clearing settlement transactions.

3.2.1 Temporary accounts for inter-bank clearing settlements #1607 (1109 for banks).

3.2.2 Current accounts of banks in togrog # 3501 (#1107 for the banks) at the BOM.

3.2.3 Current account of banks in foreign currencies # 3330 (#1120 for the banks) at the BOM.

3.2.4 Deposit account of banks in foreign currencies # 3334 (#1121 for the banks) at the BOM.

3.2.5 Treasury single account in togrog #3401 at the BOM.

3.2.6 Accounts of MOFE in foreign currencies at the BOM -current account #3332, deposit account # 3333, project account # 3430

3.2.7 Clearing delay account #2550 for the bank headquarters, this will be liability account.

3.2.8 Clearing transition temporary account #2551 for the bank headquarters, which is a liability account.

3.3. In a case of insufficient residual of the current account at the BOM, outgoing transactions will be registered in the account #2550 in chronological order.

3.4. Non-cash and cash forms of payment, securities are used in the high-value inter-bank payments.

3.5. To start the high-value inter-bank payments, the BOM will have agreed with the banks on the following:

3.5.1 Schedule for transferring transaction files and statements of accounts.

3.5.2 About participant's responsibility for wrongdoing (invoice file transferred after due time, transfer incorrectly entered transactions, mixing up invoice files, etc)

3.5.3 Pricing for high value clearing services and service time of BOM.

3.5.4 Inter-bank high-value payments will be made every hour in working day in Ulaanbaatar, and within 1 working day in inter-local.

3.5.5 Any kind of the debit settlement should be transferred within the current amount on bank's account.

3.5.6 Prohibitions for inter-bank transfer.

3.6. In a case, if certain bank's residual of the current account at the BOM is insufficient to meet reserve requirements, the BOM will require this bank to deposit additional funds and take other actions in accordance with the Laws on Central bank (BOM) and the Banking Law of Mongolia.

3.7. The BOM will debit the current account of bank in the following cases:

3.7.1 Occurrence of basis in accordance with banking legislation

3.7.2 By the decree of the Governor of the BOM

3.7.3 By the authorization of banks

3.7.4 Basing on the court decision or relevant legal acts

3.7.5 Imposed fine of state inspectors (including a shortage/excess on cash)

3.8 Branches of banks will past all cash receiving and cash sending transactions through their headquarters. Headquarters of banks will control and regulate their branches cash flow.

3.9 Both the paying and payment receiving banks using appropriate banking retail systems will store and archive all records/files of high-value payments sent through the shared financial network

3.10 In case of interruption of the shared financial network services due to software/hardware faults, the Bank of Mongolia, Banks, the Switch Clearing Center are obliged inform their respective information technology departments and take urgent steps in resolving this matter within one business day.

3.11 All computers connected to the shared financial network must have Uninterrupted Power Supply (UPS) units and other peripheral hardware installed to allow for continuous operations. (Each participating member is responsible for their respective hardware).

3.12 In case of failure of shared financial network for over 1 (one) business day, all participants must take appropriate steps (such as using portable storage devices to carry in person electronic payments data) in order to continue clearing and settlement.

#### FOUR. RESPONSIBILITIES OF BANKS

##### A. Transactions to be executed at the payers bank

4.1. Banks may transmit transactions for inter-bank high-value payments to the BOM's network as many times as they wish before 16.00.

4.2. Countryside branches of payer banks will conduct inter local transactions through its headquarters by using computer network.

4.3. The branches of payer bank will debit customer's current account and credit interbranch settlements account and transmit invoice to its headquarter. When headquarter receives invoice from the branches it will debit interbranch settlement account and credit temporary account #1109 of inter-bank clearing account, then transaction is considered to be pasted into the inter-bank high value payments.

4.4 An outgoing of transactions of the inter-bank clearing settlements of the headquarter of bank will be executed within the amount of current account balance at the BOM plus an amount of incoming transactions.

4.5 The payer bank will be responsible for all damage caused by delaying customer's transactions as a result of insufficient current account balances.

4.6 The transactions will be transmitted to the BOM after inter-bank high value settlement accountant has verified transactions (recipient bank code, company name, account number, payment amount) of before 16.00.

4.7 Transactions after 16:00, transactions of branches after 14:00, and transactions deal on weekend and holidays will booked to account # 2551 temporarily. These transactions of #2551 account should be transmitted to the inter-bank high value payments in the next working day. All transactions pasted to account # 1109 at headquarter must be transmitted to the BOM within current working day.

4.8 In a case if current account at the BOM is insufficient, bank will not transfer transactions back to its branch. In stead, transaction will be pasted to the clearing delay account # 2550 by every branch.

4.9 The transactions accumulated at above account will be transmitted to the inter-bank high value payments as first item next day. Mentioned next day's inter-bank high value payments transactions of the branch, which have been pasted to the clearing delay account previous day, are subject of control for internal audit units of the bank.

4.10 The payer bank will be held responsible for all losses related to overdue transactions stated in article 1 of section 4 or resulting from incorrect transaction.

4.11 Chief and senior accountants of the payer bank will be responsible for control over the high value payments by reconciling current accounts statements to transmit them without any difference and leaving zero balance at this account by the end of the day.

4.12 Primary payment documents of inter-bank high value payments will be stored in archives of the payer bank.

4.13 Transactions related to overnight loan, repurchase, deposit and inter-bank loan with purpose maintain banks compulsory reserve shall be effected by BOM before 17.00 pm based on transaction documents received through verified fax and courier.

4.14 The chief accountant of the bank is responsible for reconciling current account at BOM with the Treasury of MOFE account.

#### B. Transactions to be executed at the recipient bank

4.15 The recipient bank will receive invoice file from the BOM through network before 16.00 every working day.

4.16 Accountant of the inter-bank high value payments of the bank will check each transaction received from BOM network, debit inter-bank high value payments account #1109 and credit related account.

4.17 Transactions coming through inter-bank high value payments, which should be transmitted to headoffice or aimag branches, will be pasted by debiting account #1109 and crediting interbranch clearing settlement.

4.18 Chief and senior accountants of the recipient bank will be responsible for control over the payment by reconciling account statements of clearing account #3501 (inter-bank high value payments account #1107 for banks), to transmit them without any difference and leaving zero balance at this account by the end of the day.

4.19. The chief accountants of the bank is responsible for reconciling current account #3501 at BOM with account 1107.

## FIVE. ACTIONS AT THE BOM

5.1 The BOM will receive all electronic inter-bank high-value payment messages from SCC via shared financial network before 1600 hours.

5.2 The BOM will debit the clearing settlement temporary account #1607 of the payer bank and credit clearing settlement temporary account #1607 of the recipient bank using software.

5.3 The BOM after verifying each transaction will past it to the high value inter-bank payments will transmit files to the banks before 16.00.

5.4 In case bank needs the replenishment to foreign currency accounts on today-value or will make the withdrawal from foreign currency accounts on today value, banks shall perform transaction documents such as payment order /MT 202/ and note on transaction /MT 210/.

5.5 Transactions related to overnight loan, repurchase, deposit and inter-bank loan with purpose maintain banks compulsory reserve shall be effected by BOM before 17.00 pm based on transaction documents received through verified fax and courier. Urgent transactions of Mongolian and foreign currency shall be carried out with charge of 100.000 togrog.

5.6 BOM shall deduct the charges on L/C transactions conducted by the Government agencies and ministries from the Treasury/ MOFE account and perform note to MOFE.

5.7. The BOM will responsible to transmit the files of the current account balance to banks at 17:00.

## SIX. ACTION FOR FILFULLMENT OF RESERVE REQUIREMENTS ON THE DEPOSIT LIABILITITES

6.1. The banks will reconcile and check inter-bank clearing settlement through the following 5 stages:

6.1.1 Clearing settlement temporary account #1607 will be any balance at the end of a day.

6.1.2 Account statements of the current account from the BOM and clearing settlement account #3501 (#1107 for the banks) will be reconciled every day at 17:30 p.m.

6.1.3 Banks will check balance of current account at the BOM and clearing settlement temporary account with account statement which will transmit in file from the BOM every day. If there is any discreponcy, bank will inform the BOM and take correcting entries the next working day.

6.1.4 The bank will send a guarantee of the account residual as of the end of each month on the current account at the BOM and inter-bank clearing settlement temporary account.

6.1.5 Internal Auditing Unit of the banks and Internal Auditing department of BOM will permanently and consistently control reconciliation of the current accounts of bank at the BOM.

6.2. In a case if a closure of temporary account will exceed the funds of current account at the end of working day, the Accounting and IT Department of BOM (hereinafter referred as AITD) will extend overdraft loan within the limit determined from Monetary Policy and Research Department ( hereinafter referred as MPRD) of BOM .

6.3 MPRD will determine the limit of overnight loan from the total amount of the current accounts in togrog and foreign currencies. Funds of foreign currencies at current account should be exchanged into togrog.

6.4 Penalty rate for overnight loan shall be equal to the double highest rate of BOM bills at that time.

6.5 The AITD shall transfer back an amount of overdraft loan plus penalty rate from the borrowers current account at the BOM at 9:00 a.m. next working day.

6.6 To settle the high value inter-bank transactions, bank can obtain borrowing from inter-bank market and settle their transactions. It shall be implemented by the inter-bank agreement

6.7 The lending bank itself will be responsible for any losses related to loans provided through inter-bank market.

6.8 The BOM will receive a payment of the high value inter-bank clearing service fee within first 3 working days of next month by the agreement in undisputed manner.

## SEVEN. SUPERVISION ON INTER-BANK HIGH VALUE PAYMENTS CLEARING

7.1. Responsible for the enforcement of this regulation and will take the following actions when appropriate:

7.1.1 A senior official from the Accounting and Information Technology Department of the Bank of Mongolia may take appropriate punitive actions as per relevant laws in case of parties failing to meet their contractual obligations.

7.1.2. In case of a paying bank causing delay of settlement (i.e. incorrectly/none filled out beneficiary bank name, organization, account number(s), details of inter-bank high-value payments, wrong timing), it shall be held responsible for all associated penalties imposed by BOM supervisors in compliance with BOM legal acts.

7.1.3 In case of a bank transmitting debit invoices numerous times without acceptance from the Bank of Mongolia, or transmitting of customers transactions without properly calculating funds at the current account at the Bank of Mongolia, debiting customer's account instead of clearing transmission delay account without having

sufficient funds at the current account at the BOM, responsible employer will be held responsible and bear full responsibility including associated penalties.

7.1.4 Any enterprise, organization, individuals and/or customers participating in inter-bank settlement may file complaints and/or comments with the Internal Auditing and Supervision Departments of the Bank of Mongolia.