



LAW ON THE LEGAL STATUS OF THE FINANCIAL REGULATORY COMMISSION
(Amended version as of 17 January 2020)

INTERNATIONAL COOPERATION DEPARTMENT

MAY 2020



LAW ON THE LEGAL STATUS OF FINANCIAL REGULATORY COMMISSION

17 November, 2005.

Ulaanbaatar city.

Amended version

CHAPTER ONE. GENERAL PROVISIONS

Article 1. Purpose of this law

- 1.1. The purpose of this law is to define the structure of the Financial Regulatory Commission, legal grounds for its activities, and govern relations arising from regulation and monitoring financial services other than banking activities.

Article 2. Legislation on the legal status of the Financial Regulatory Commission

- 2.1. legislation on the Legal Status of the Financial Regulatory Commission is comprised of the Constitution of Mongolia, the Civil Code, the Law on Non-bank Financial Activities, Law on Securities, Law on Insurance, Law on Professional Insurance Intermediaries, Law on Cooperatives, this law, and other relevant legislative acts issued 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 3. Scope of this law

- 3.1. The financial services stated in this law shall include the following:
 - 3.1.1. the activities of non-bank financial organizations stated in the Law on Non-bank Financial Activities;
 - 3.1.2. the activities of professionals participating in the securities market stated in the Law on Securities;
 - 3.1.3. the activities of insurers stated in the Law on Insurance;
 - 3.1.4. the activities of insurance intermediaries, insurance brokers, and assessors evaluating damage and loss stated in the Law on Professional Insurance Intermediaries;
 - 3.1.5. the activities of deposits and loan cooperatives stated in the Law on Cooperatives;
 - 3.1.6. the activities of asset-backed securities stated in the Law on Securities;
 - 3.1.7. the activities stated in the Law on Loan Guarantee Fund;
 - 3.1.8. the activities of insurance stated in the Law on Index-based Livestock Insurance;
 - 3.1.8. the activities of dealers in precious metals and stones, or goods made with them;
 - 3.1.10. the activities of real estate agents;
 - 3.1.11. other financial activities stated in the Law.
- 3.2. The relevant relations related to banking activities shall be regulated by the legislation on banking.

CHAPTER TWO. FINANCIAL REGULATORY COMMISSION, ITS POWERS AND RELATIONS TO OTHER ORGANIZATIONS

Article 4. Financial Regulatory Commission

- 4.1. The Financial Regulatory Commission (hereinafter '*Commission*') is a government organization to ensure the stability of the financial market, regulate financial services, monitor implementation of relevant legislation, and protect the rights of investors and clients of the financial market.
- 4.2. The charter of the Commission shall be approved by the State Great Khural.
- 4.3. The Commission may have its own symbol representing the characteristics of the activities it is responsible for and shall use the seal, stamp, and official letterhead.

Article 5. Principles of the Commission's activities

- 5.1. The Commission's activities shall be based on the principles of independence, transparency, and impartiality, preserving the stability of the financial market, and protection of public rights and legal interests.

Article 6. Powers of the Commission

- 6.1. The Commission shall exercise the following powers:
 - 6.1.1. organize and undertake activities to promote compliance with legislation related to financial services;
 - 6.1.2. approve rules, procedures, and guidance within its authority, monitor their implementation, and define necessary criteria and other standards to support the stability of the financial market;
 - 6.1.3. grant licenses for carrying out financial services (hereinafter '*license*'), suspend, revoke, terminate, and monitor the implementation of license requirements;
 - 6.1.4. monitor the activities of a license holders;
 - 6.1.5. set the fees for regulatory services to be imposed on the license holder;
 - 6.1.6. solve disputes among the license holders and/or between license holder and client within its powers;
 - 6.1.7. approve the ethical rules of the Commission's employees and monitor their compliance;
 - 6.1.8. set the minimum capital of insurance license holders and the requirements of the capital of insurance license holders;
 - 6.1.9. monitor whether the license holder is implementing the Law on Anti-Money Laundering and Countering the Financing of Terrorism;
 - 6.1.10. monitor whether the license holder is implementing the Law on Proliferation of Weapons of Mass Destruction and Combating Terrorism;
 - 6.1.11. approve the regulation related to the requirements for significant shareholders, sources of share capital, executive management and staff; as stated in Section 4.1.2., 4.1.3., 4.1.4., 4.1.5., 4.1.6., 4.1.7., and 4.1.8 of the Law on Anti-Money Laundering and Countering the Financing of Terrorism.
- 6.2. In addition to the general powers stated in Paragraph 6.1. of this law, the Commission shall exercise additional powers stipulated in the laws below:
 - 6.2.1. on non-bank financial activities defined in the Law on Non-bank Financial Activities;
 - 6.2.2. on activities related to the participants of the securities market defined in the Law on Securities Market;
 - 6.2.3. on insurance activities defined in the Law on Insurance;
 - 6.2.4. on activities related to the professionals in insurance defined in the Law on Professional Insurance Intermediaries;
 - 6.2.5. on deposits and loan activities defined in the Law on Cooperatives;

*Translated by International Cooperation Department,
with amendments to May 2020*

- 6.2.6 on issuance of asset-backed securities activities defined in the Law on Asset-backed Securities;
- 6.2.7. on livestock insurance activities defined in the Law on Index-based Livestock Insurance;
- 6.3. The Commission shall approve the following regulations, and instructions on regulation and supervision of activities, specified in Sections 3.1.9. and 3.1.10. of this law:
 - 6.3.1. procedure for defining the conditions and requirements for the special license, license and issuing license;
 - 6.3.2. procedure for the registration of a branch, representative, or representative office;
 - 6.3.3. procedure for determining the amount of share capital;
 - 6.3.4. procedure for on-site and off-site inspection;
 - 6.3.5. procedure for determining the amount of regulatory service fees;
 - 6.3.6. procedures and instructions for keeping accounting, and account registration, forms;
 - 6.3.7. procedure for defining the requirements for professional associations;
 - 6.3.8. procedure for registration of legal counseling and audit services, at the Financial Regulatory Commission.

Article 7. The Commission's Meetings

- 7.1. The principal form of work of the Commission shall be its meetings.
- 7.2. The meetings of the Commission shall be convened at least once a month and with set procedures for the meetings.
- 7.3. The Chairman of the Commission may call extraordinary meetings upon the written request of not less than two members of the Commission.
- 7.4. A meeting shall be considered as effective when a majority of the members are present.
- 7.5. The meetings of the Commission may be attended by professionals, or experts, by invitation.
- 7.6. The meetings of the Commission shall be evidenced by the minutes which shall be taken and signed by the all members present at the meeting.
- 7.7. If a family member or relative of a Commission member works in a legal entity which has matters that are discussed at the meeting of the Commission, the Commission member shall inform the other members about the situation prior to the meeting and exclude him/herself from discussion and decision making of the matters.

Article 8. Decisions of the Commission

- 8.1. The Commission shall pass decisions by a majority of the votes cast and the decision shall be signed by the Chairman of the Commission.
- 8.2. Within its powers, the Commission's decision shall be in the form of a resolution.
- 8.3. In the case of a tied vote, the Chairman shall make the final decision.
- 8.4. In issuing a publicly enforceable decision, the Commission may place the draft of the decision on its website or publish it in daily papers, and provide explanations to (and receive opinions about) it.

Article 9. Relations of the Commission with the State Great Khural

- 9.1. The Commission shall report to the State Great Khural on the implementation of this law, including the financial and organizational activities.
- 9.2. The State Great Khural shall monitor through relevant organizations whether the activities of the Commission are consistent with legislation.

Article 10. Relations of the Commission with the Bank of Mongolia and the Government

- 10.1. The Commission shall conclude a trilateral memorandum of understanding (hereinafter 'memorandum') with the Bank of Mongolia and the central state administrative organization in charge of financial issues in order to undertake effective collaborative

*Translated by International Cooperation Department,
with amendments to May 2020*

- activities toward ensuring the stability of the financial market, developing, regulating, and monitoring the financial market.
- 10.2. The memorandum shall state obligations of the Bank of Mongolia, the state administrative central organization in charge of financial issues, and the Commission to ensure the stability of financial market, information exchange, and other issues related to it.
 - 10.3. Relations of the Commission with the Bank of Mongolia and the central state administrative organization in charge of financial issues shall be regulated in accordance with the provisions of the memorandum stipulated in Paragraph 10.1. of this law.
 - 10.4. The Chairman of the Commission may participate in an advisory capacity at the Cabinet's meetings on issues related to financial services.
 - 10.5. The Commission shall submit its annual activity report to the Cabinet and the Bank of Mongolia respectively.

CHAPTER THREE. COMPOSITION OF THE COMMISSION AND ITS OFFICE

Article 11. Appointment of the Chairman and Members of the Commission

- 11.1. The Commission shall be comprised of a Chairman and six members.
- 11.2. The Chairman of the State Great Khural shall nominate a person for the post of Chairman of the Commission. The Standing Commission on Economics shall nominate two members, and the Standing Commissions on Budget and Justice, the Governor of the Bank of Mongolia, and Cabinet member in charge of the financial issues each shall nominate one member. The Chairman and six members of the Commission shall then be appointed by the State Great Khural
- 11.3. The Chairman and members proposed by the Standing Commissions on Economics and Justice shall be full time members; and the remaining four members shall be part time members of the Commission.
- 11.4. A candidate proposed by the Standing Committee may be a representative of the private sector.
- 11.5. The following officials shall not be proposed as candidates:
 - 11.5.1. state political official;
 - 11.5.2. political party senior official;
 - 11.5.3. a member of the Constitutional Court of Mongolia, judge and prosecutor of any instance;
 - 11.5.4. an individual currently employed in a legal entity that renders financial services;
 - 11.5.5. holder of a controlling block of common shares in a legal entity that provides financial services.
- 11.6. The Chairman and members of the Commission shall be citizens of Mongolia, with higher education in economics, banking, finance, securities, or in law, with experience of not less than five years, and with no criminal record.
- 11.7. If the State Great Khural denies to appoint a candidate to the Commission, the authorized person stipulated in Paragraph 11.2. shall propose another candidate within 14 working days.
- 11.8. The Chairman and members of the Commission shall be special category public servants.

Article 12. Term of mandate of Chairman and Members of the Commission

- 12.1. The term of office for the Chairman and members of the Commission shall be five years and may be extended for one period only.

Article 13. Release of the Chairman and Members of the Commission

- 13.1. The State Great Khural shall release the Chairman and any member under the following circumstances:
 - 13.1.1. termination of the term of office;

- 13.1.2. inability to perform his/her official duties due to health or other serious reasons;
 - 13.1.3. at his/her own request for resigning;
 - 13.1.4. if he/she is appointed or elected to posts stipulated in Paragraph 11.5. of this law.
- 13.2. The Chairman and/or members of the Commission shall be released from their posts under the circumstances specified in Paragraph 13.1 upon the proposal of the person or entity originally nominating that member.

Article 14. Grounds for removal of the Chairman or Members

- 14.1. The Chairman and/or member of the Commission shall be removed under the following circumstances:
- 14.1.1. in case of non-performance or unsatisfactory performance of duty, serious or repeated violation of duty;
 - 14.1.2. if an authorized organization has suspended or revoked the right of rendering professional activities;
 - 14.1.3. if he/she is convicted of a criminal offence by a court and the judgment has come into effect;
 - 14.1.4. if violation of Paragraph 11.5. of this law was discovered after his/her appointment.
- 14.2. The State Great Khural shall remove the Chairman or member upon the proposal of the person or entity that nominated that member for the reasons specified in Section 14.4.1. of this law and on decisions of organizations stipulated in Sections 14.1.2 and 14.1.3.

Article 15. Appointment to unexpired terms of the Chairman and Members of the Commission

- 15.1. In case the term of the Chairman or member has been terminated before the legally established period, the authorized organization specified in Paragraph 11.2. shall nominate another candidate to the State Great Khural
- 15.2. The term of office for the newly appointed candidate shall be equal to the remaining term of the previous member.

Article 16. Powers of the Chairman of the Commission

- 16.1. The Chairman of the Commission shall exercise the following powers:
- 16.1.1. represent the Commission in domestic and external relations;
 - 16.1.2. represent the position of the Commission within its authority at the State Great Khural, the Cabinet, and other relevant organizations with whom it has relations, and at the general session of the State Great Khural, the Standing Commissions, and at meetings of the Cabinet;
 - 16.1.3. convene, preside over the Commission's meetings, and define the agenda of the meetings;
 - 16.1.4. assign duties and responsibilities to members of the Commission and monitor their performance;
 - 16.1.5. and other powers specified in this law.
- 16.2. During temporary absence of the Chairman of the Commission, the member appointed by the Chairman shall have the full authority of the Chairman.
- 16.3. In case of death, removal, or release of the Chairman according to Articles 13 and 14 of this law, his/her duty shall be performed by the full-time member who has the longest period of professional experience in the financial sector.

Article 17. Guarantees for the Chairman and Members

- 17.1. It is prohibited to remove, or release the Chairman or member of the Commission except under the circumstances stipulated in Articles 13 and 14 of this law.
- 17.2. The State Great Khural shall determine the salary of the Chairman and the members. The procedure for determining remuneration for the non-staff members shall be regulated by

the charter of the Commission.

Article 18. The Commission Secretariat

- 18.1. The Commission shall have its secretariat to assist the members to perform their duties, provide conditions for carrying out routine operations of the Commission, and to inform clients with relevant information.
- 18.2. The activities of the Secretariat shall be regulated by the rules of the Commission.
- 18.3. The Chief Executive of the Secretariat shall be the Commission's general manager with the duty to manage the daily activities of the Secretariat and ensure the fulfillment of the duties given by the Commission.
- 18.4. The governing and executive officers' posts of the Commission Secretariat shall belong to the category of public administrative officials.

Article 19. Confidentiality of internal information

- 19.1. It is prohibited for the members and Secretariat's staff to distribute, share with others, or use for their own purpose information that is defined by the Commission as for internal use only, except as described in Paragraph 19.3. of this law.
- 19.2. The Commission members and its Secretariat's staff may provide internal information to others as defined in Paragraph 19.1. according to the Commission's procedures in the following cases:
 - 19.2.1. if this law, other relevant legislation, or international treaty to which Mongolia is a party allows supply of confidential information;
 - 19.2.2. if the Bank of Mongolia requests;
 - 19.2.3. if the central state administrative organization in charge of financial issues requests;
 - 19.2.4. if the court, prosecutor's office, police department, or the court decision enforcement agency requests the information in writing due to their work requirements.

CHAPTER FOUR. FINANCING AND ACCOUNTING OF THE COMMISSION

Article 20. Financing the Commission

- 20.1. The Commission's finance sources shall be the following:
 - 20.1.1. assets allocated from the state budget;
 - 20.1.2. regulatory service fees generated from the license holders
 - 20.1.3. and other income from activities carried out in compliance with this law.

Article 21. Accounting and auditing

- 21.1. The Commission shall maintain accounting records, and prepare financial reports, and the year-end report shall be certified by an auditor according to the relevant laws.

CHAPTER FIVE. LICENSING OF RENDERING FINANCIAL SERVICES

Article 22. Granting license

- 22.1. The Commission shall issue a license for rendering the financial services stipulated in Paragraph 3.1. of this law.
- 22.2. In issuing a license to a subsidiary of a company that has under its structure a bank, the opinion of the Bank of Mongolia shall be considered.
- 22.3. If a license was issued to a legal entity stipulated in Paragraph 22.2. of this law, the monitoring of the activities shall be conducted in cooperation with the Bank of Mongolia.
- 22.4. The Commission may require and study the charter, financial, and activity reports of the headquarter company of an entity that is applying for a license.
- 22.5. The procedures for issuing licenses to conduct financial services that are not regulated by this law shall be governed by the Law on Licensing, Articles 8 and 9 of the Law on Non-

*Translated by International Cooperation Department,
with amendments to May 2020*

bank Financial Activities, Article 20 of the Law on the Securities, Articles 18, 19, 20, 69, and 70 of the Law on Insurance, and Articles 8, 9, 10, 11, 12, 38, and 39 of the Law on Professional Insurance Intermediaries.

Article 23. Records

- 23.1. The Commission shall keep a record of licenses and authorizations issued by the Commission.
- 23.2. The Commission shall endorse a procedure for keeping the records of licenses stipulated in Paragraph 23.1. of this law.
- 23.3. A license holder shall notify the Commission in writing about ceasing to perform activities within five working days.

CHAPTER SIX. MONITORING ACTIVITIES OF THE COMMISSION

Article 24. Monitoring the activities of license holders

- 24.1. The Commission shall monitor and control license holders' activities to ensure compliance with this law, relevant legislation, rules, and procedures issued in conformity therewith.
- 24.2. The monitoring and control defined in the Paragraph 24.1. shall be conducted by an inspector appointed by the Chairman of the Commission.
- 24.3. The Commission inspector shall have the right of a state inspector.
- 24.4. If the Commission believes that a license holder is violating this law, or relevant legislation, rules and procedures that are in conformity with them, the inspection may be conducted at any time.
- 24.5. The Commission inspector shall exercise control within his/her power stipulated in this law, in Paragraphs 19.1., 19.2. and 19.3. the Law on Non-bank Financial Activities, in Paragraphs 37.1. and 37.2 of the Law on Securities' Market, in provisions of Articles 61, 62, 63, 64, and 65 of the Law on Insurance, and in the provisions of Articles 30, 31, 32, 33, and 34 of the Law on Professional Insurance Intermediaries.

Article 25. Powers of the Inspector

- 25.1. An inspector shall exercise the following powers:
 - 25.1.1. enter an office or any premises where the license holder conducts his/her activities during working time;
 - 25.1.2. request free of charge any necessary reports, explanations, and other documents from the relevant organization and authority;
 - 25.1.3. review relevant documents and have copies;
 - 25.1.4. question any matter related to the inspection and get answers on it
 - 25.1.5. impose duties to eliminate violations found during the inspection and to ensure their fulfillment;
 - 25.1.6. suspend activities of the licensee, in whole or part, in accordance with the procedure stated in the Law on Conflict Resolution;
 - 25.1.7. impose administrative sanctions in compliance with the relevant legislation;
 - 25.1.8. submit a proposal to the Commission to revoke a license if a license holder has seriously and/or repeatedly violated the legislation;
 - 25.1.9. transfer the relevant documents to authorities if violations that were revealed during inspection are criminal offences;
 - 25.1.10. and other powers stipulated in the legislation.
- 25.2. An inspector shall conduct the inspection based on the Commission's directions, and shall inform the license holder about it prior to conducting the inspection.
- 25.3. The inspection shall be conducted within the period of time stated by the Commission in a way that does not hinder the daily activity of the license holder.

Article 26. Inspection report

- 26.1. Report of inspection shall include the following:
 - 26.1.1. a conclusion on the license holder's management, organization, and monitoring of activities, and other issues deemed necessary;
 - 26.1.2. issues that require responses from the license holder or highlighted issues.
- 26.2. the Commission shall deliver the results of the inspection to the license holder within 45 working days after completion of the inspection.
- 26.3. if a license holder has to respond to the report of the inspection, he/she is obliged to respond to it within 14 working days from receipt of the report, or within the time defined by the Commission.

Article 27. The Commission's power to request information

- 27.1. The Commission or authorized person of the Commission may request in writing certain or specific types of information, financial and other documents from a license holder.
- 27.2. If a license holder is a member of any business corporation, the Commission may require the financial report of the corporation, or any other entity that is under the corporation.
- 27.3. A license holder shall provide requested information from the Commission within a period that in compliance with Paragraphs 27.1 and 27.2. of this law.

CHAPTER SEVEN. SUPERVISING BOARD

Article 28. Supervising Board

- 28.1. The Supervising Board is a part time body of the Commission (hereinafter '*Supervising Board*') that shall monitor the activities of the Commission, and shall respond to any complaints about the decisions made by the Commission.
- 28.2. The procedures of the Supervising Board shall be endorsed by the State Great Khural.
- 28.3. The Supervising Board shall report its activities to the State Great Khural within the first quarter of the next year.

Article 29. Members of the Supervising Board

- 29.1. The Supervising Board shall consist of the Chairman and four members.
- 29.2. The Chairman and members of the Supervising Board shall be appointed for the term of three years by the State Great Khural, and they shall be released by decision of the State Great Khural.
- 29.3. The Chairman shall be appointed at the proposal of the Standing Committee of the State Great Khural. The Standing Committee on Economics and Justice of the State Great Khural each shall nominate two candidates for membership of the Supervising Board.
- 29.4. A citizen of Mongolia with higher education and experience in economics, banking, finance, securities and law may be appointed as chairman or member of the Supervising Board.
- 29.5. It is prohibited for political officials, political party's senior officers, members of the Constitutional Court of Mongolia, judges and prosecutors in all instances, chairman of the Commission, its member, or governing and executive officers to be appointed as the Chairman and/or member of the Supervising Board.
- 29.6. The Chairman of the Supervising Board and members shall be released prior to expiry of the term of office in the following circumstances:
 - 29.6.1. inability to perform official duty due to health and other good cause, or at his/her own request;
 - 29.6.2. unsatisfactory performance of official duty;
 - 29.6.3. issues of conflicts of interest.
- 29.7. It is prohibited to release the chairman and/or member of the Supervising Board prior to

*Translated by International Cooperation Department,
with amendments to May 2020*

term of office except as provided in Paragraph 29.6 of this law.

Article 30. Office of the Supervising Board

30.1 The office of the Supervising Board shall be responsible for ensuring the preparation of the Commission's meeting, assisting members to perform their official duties, and ensuring enforcement of decisions issued in meetings.

Article 31. Remuneration of the Chairman and Members of the Supervising Board

31.1. The remuneration of the Chairman and members shall be regulated by the procedure stipulated in Paragraph 28.2. of this law.

Article 32. Decisions of Supervising Board

- 32.1. Until the decision of the Supervising Board is issued, the enforcement of the Commission decision may be suspended.
- 32.2. The Commission is obliged to follow decisions of the Supervising Board that are in conformity with this law.
- 32.3. Decisions of the Supervising Board shall be in the form of a resolution.
- 32.4. If a person does not agree with a decision made by the Supervising Board within its powers, he/she may submit an appeal to the court.

CHAPTER EIGHT. DISPUTE RESOLUTION

Article 33. Dispute Resolution

- 33.1. Within the scope of its powers, the Commission shall preliminarily decide disputes between license holders or between a license holder and a client.
- 33.2. If a license holder or a client disagrees with the decision of the Commission, he/she may submit an appeal to the court.

CHAPTER NINE. MISCELLANEOUS

Article 34. *(Article 34 revoked on 8 July 2006)*

Article 35. *(Article 35 revoked on 8 July 2006)*

Article 36. Implement the Law on Anti-Money Laundering and Countering the Financing of Terrorism

36.1. The holder of a license for special financial service shall be obliged to adhere to the Law on Anti-Money Laundering and Countering Financing of Terrorism.

Article 37. Liability for Breach of the Law on the Legal Status of the Financial Regulatory Commission.

37.1. Any person who breaches the Law on the Legal Status of the Commission of the Financial Regulation shall be liable to sanctions stipulated in respective legislation.

Ts. Nyamdorj

Chairman, State Great Khural