



FINANCIAL  
REGULATORY  
COMMISSION



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# ANNUAL REPORT 2020



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# ABBREVIATIONS AND ACRONYMS

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<b>AML/CFT</b>	Anti-money laundering and combating the financing of terrorism
<b>DPMS</b>	Dealers in precious metal and stones
<b>EMMoU</b>	Enhanced Multilateral Memorandum of Understanding
<b>FATF</b>	Financial Action Task Force
<b>FRC</b>	Financial Regulatory Commission (of Mongolia)
<b>IAIS</b>	International Association of Insurance Supervisors
<b>IOSCO</b>	International Organization of Securities Commissions
<b>JSC</b>	Joint stock company
<b>LLC</b>	Limited liability company
<b>MACE</b>	Mongolian Agricultural Commodity Exchange
<b>MMoU</b>	Multilateral Memorandum of Understanding
<b>MNT</b>	Mongolian tugrik
<b>MONICPA</b>	Mongolian Institute of Certified Public Accountants
<b>MoU</b>	Memorandum of understanding
<b>MSE</b>	Mongolian Stock Exchange
<b>NBFI</b>	Non-bank financial institution
<b>NGO</b>	Non-governmental organization
<b>REB</b>	Real estate broker
<b>SC</b>	Securities company
<b>SCC</b>	Savings and credit cooperative
<b>SME</b>	Small and medium enterprise

## FOREWORD



This operational report of the Financial Regulatory Commission's (FRC's) activities in 2020, is presented for your information.

Despite 2020 being a remarkably difficult year, because of the worldwide pandemic, we all mobilized our resources and overcame challenges together. Key achievements for the FRC in 2020 were:

- removal of Mongolia from the Financial Action Task Force's (FATF's) 'grey list' (jurisdictions with strategic AML/CFT deficiencies), and
- removal of Mongolia from the European Commission's anti-money laundering and combatting the financing of terrorism (AML/CFT) 'black list',

These, and other important activities of the FRC, were accomplished by working in close cooperation with other regulatory bodies.

The FRC is responsible for coordinating, and providing professional regulatory services among more than 5,600 businesses and individuals. We focused on establishing improved legal and regulatory frameworks; to promote a favourable business environment, and to encourage new, technologically advanced products and services. We also:

- introduced the 'T+2' settlement cycle for the stock market,
- established regulatory, over-the-counter market operations,
- created favourable conditions for fund raising, and
- established the double registration system.

On AML/CFT compliance, the FRC successfully established legal and regulatory frameworks, and a registration procedure governing the activities of real estate brokers (REBs) and dealers in precious metals and stones (DPMS). The Commission also registered asset-backed securities within the Government of Mongolia's Rental Housing Program, and settled the insurance regulatory environment (in line with international standards). The FRC also introduced several insurance products to the market – to offset pandemic-related risks – in the framework of social responsibility.

Lastly, the FRC's amendments, to the revised (draft) version of the Banking Law, were presented to Parliament for attention. Once adopted, the revised version, will contribute to the continued development of a healthy and stable financial sector.

## FOREWORD

For the future, in 2021, the FRC will strive to enhance its contributions for equal access by all to financial markets. We will:

- support technology-based financial products,
- create favourable financing conditions focused on small and medium enterprises (SMEs),
- improve the legal framework within non-bank financial markets, and
- increase the competitiveness, and market shares, of insurance (among others).

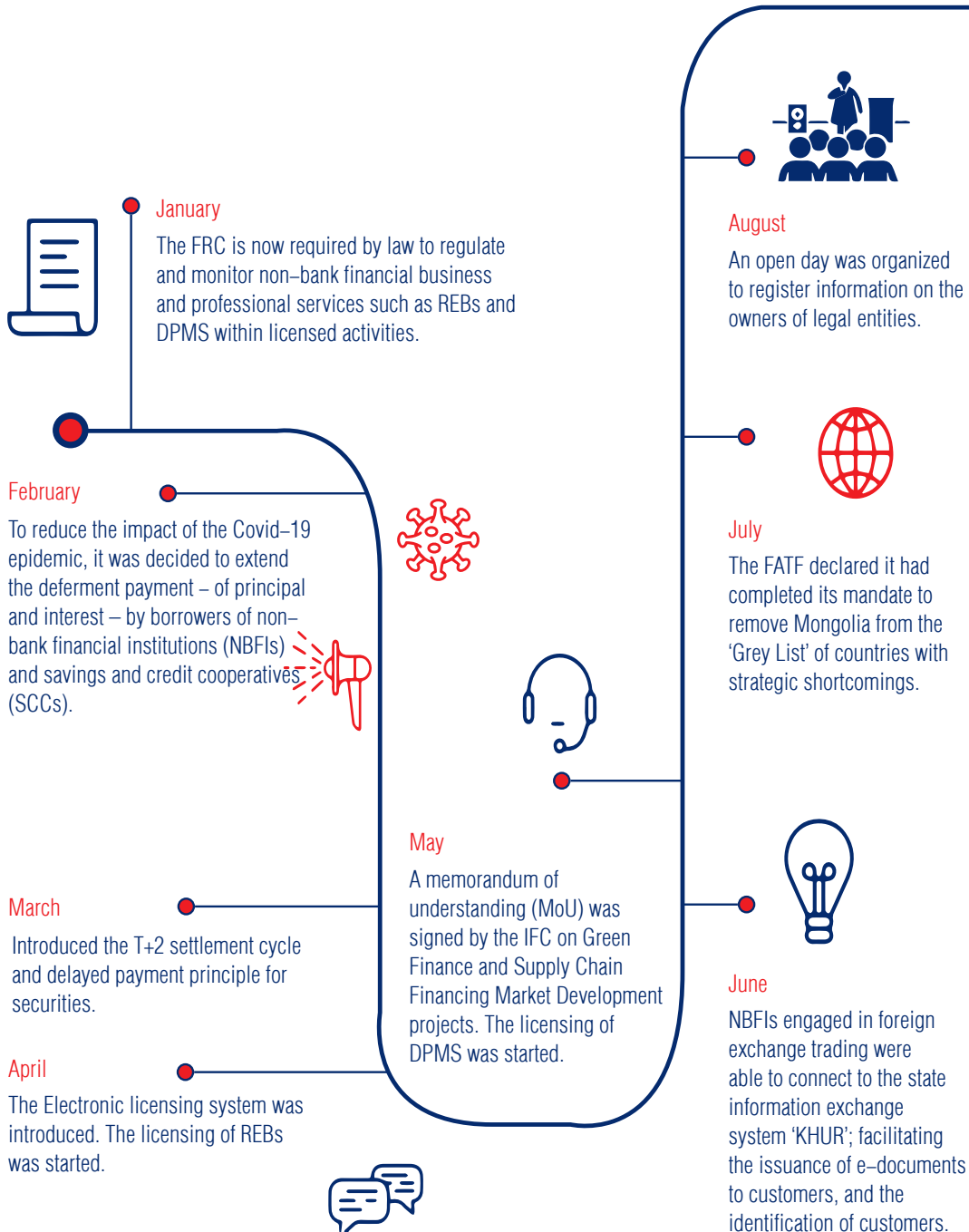
I look forward to the continued cooperation of our valued partners, policy makers, professional associations and regulated entities. Working together – developing the financial market in line with international standards and providing accessible financial services that are trusted by customers, investors and the insured – I am confident we will accomplish even more in 2021.

BAYARSAIKHAN Dembereldash



Chairman

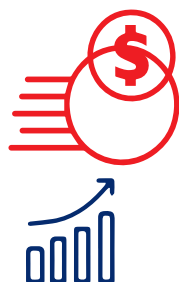
## TIMELINE





### September

Signed an agreement – with the Mongolian Institute of Certified Public Accountants (MONICPA), Mongolian Institute of Certified Appraisers, Mongolian Bar Association, Mongolian Bankers Association, Mongolian Insurers Association, and Mongolian Association of Insurance Brokers – to organize cooperation in particular areas.



### October

The FATF announced that Mongolia had been removed from the 'Grey List' of countries with strategic shortcomings. Issued the first license, permitting operation of a joint investment fund. Organized a discussion on 'Compliance and information transparency of joint-stock companies'.



### November

Presented an investors' communications program. Public petitions and complaints are now resolved electronically and/or by telephone. Signed a cooperation agreement on 'Training in the field of AML/CFT' with the National Association of DPMS.



### December

The FRC's first Research Compilation booklet was published. The legal environment for over-the-counter trading created.

## SUMMARY

Due to the coronavirus (COVID-19) pandemic, most countries undertook strict measures – including lockdowns – in the first half of 2020. As a result, global economic activity declined sharply, and in 2020 the global economy contracted by 1.9 percentage points more than the IMF estimate (to -4.9%). Mongolia's gross domestic product was MNT37.0 trillion in 2020; a decrease of 5.3% over the previous year. In terms of foreign trade, exports reached \$ 7.6 billion and imports \$5.3 billion; a surplus of \$2.3 million, and an improvement of 53.0% from the previous year. Increases, among the leading sectors, included:

- agriculture, 10.7%,
- energy, 6.7%,
- information and communication, 4.0%,
- manufacturing, 12.5%
- water supply, 17.6%,
- public administration and defence, 19.7% and
- financial and insurance, 1.9%,

Other sectors, decreased, including: mining, -7.5%, transportation and storage -19.7%, wholesale and retail trade -6.9%, and hotels and housing -26.9%

In 2020, 591 regulated entities operated in the securities market and the number of account holders reached 2.4 million. The total of securities traded decreased by 54.5%, from a high level of trading of leading joint stock companies' (JSCs) portfolios in 2019. While market capitalization increased by 12.5% to 3.0 trillion, the Mongolian Stock Exchange (MSE) TOP 20 Index decreased by 336.1 points to 19,285.

During the fiscal year, MNT488.7 billion worth of goods were traded in the Mongolian Agricultural Commodity Exchange (MACE); a decrease of MNT216.3 billion compared to the previous year. The MACE's Mongolian Agricultural Price Index reached 918,691 points; up 15.7% from the previous year.

In the insurance market a total of 319 insurance companies, intermediaries, brokers, loss adjusters, audit firms, actuaries, and auditors, along with 2,473 insurance agents, delivered products and services to customers. Total assets of the insurance market reached MNT382.1 billion, of which 45.4% (MNT173.5 billion) were for the reserve fund. In 2020, general and life insurance companies collected a total of MNT201.5 billion in insurance premiums. A total of MNT66.8 billion was spent on reinsurance premiums, of which MNT3.6 billion (5.3%) was paid by domestic

reinsurers. The total indemnity expenses of insurance companies reached MNT59.8 billion in 2020; a decrease of 8.6% compared to the previous year.

During the fiscal year, 532 NBFIs operated in the non-bank sector; increasing the number of customers and borrowers to 2.8 million and 788,000, respectively. The sharp increase was linked to the introduction of digital financial products and services within the sector. Total assets increased by 16.0% to MNT2.0 trillion, of which MNT1.3 trillion was disbursed in the form of loans. Most (84.8%) of these loans were considered to be performing.

The number of SCCs decreased by 4.6% to 249 while the number of members increased 2.4% to 72,651. The total assets of SCCs increased by 15.0% to MNT256.0 billion during the fiscal year.

In 2020, a total MNT281.9 billion worth (610,300m<sup>2</sup>) of real estate was brokered, transferred or bought; and MNT39.9 billion worth of real estate was rented and leased by 167 licensed REBs.

A total of 30 organisations and 399 individuals were licensed as dealers in precious metal and stones (DPMS), in the sector where MNT577 billion was sold and MNT624.2 billion bought.

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## INTRODUCTION

The FRC was established in 2006 following Parliament's enactment of the Law on the Legal Status of the FRC. With adoption of the new law, the FRC commenced supervisory and regulatory activities across the non-bank financial sector; including insurance and micro-finance. The FRC also began regulation of the securities market; previously under the responsibility of the former Securities Commission.

The FRC is responsible for ensuring the stability of financial markets, protecting the interests of investors (customers and policyholders), supervising the non-bank financial sector, and establishing a regulatory environment through sound policy-making.

With 142 staff, the FRC supervised 3,280 regulated entities across six sectors throughout 2020, and implemented necessary policy measures.

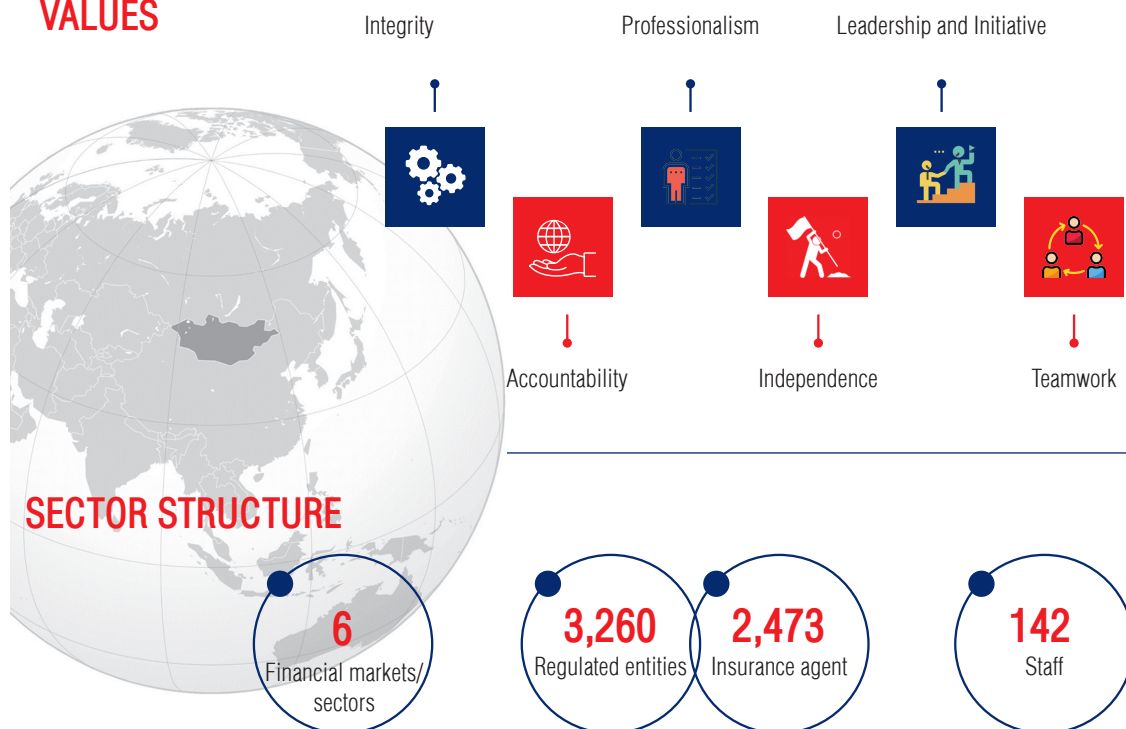
## VISION

To create diversified, sustainable and inclusive financial markets, where fair competition is promoted and consumer protection is secured; fostering economic growth and development.

## MISSION

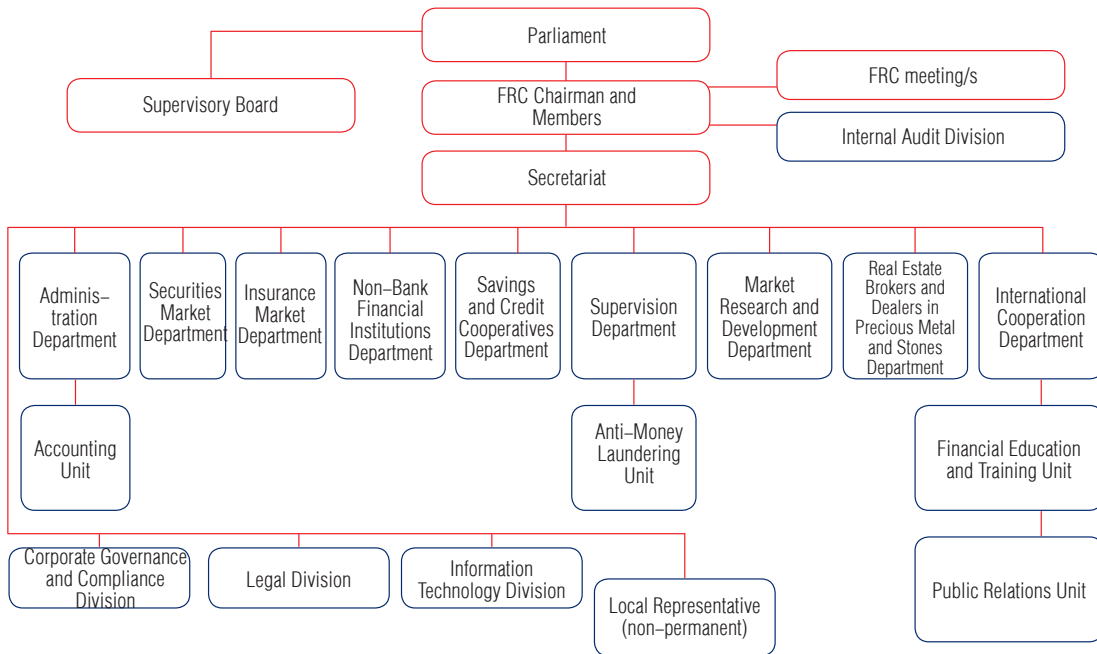
To develop diversified and sustainable inclusive financial markets that ensure the rights of consumers – and trust, in the marketplace – through implementation of sound financial policies, regulation, and establishment of an effective supervision system.

## VALUES



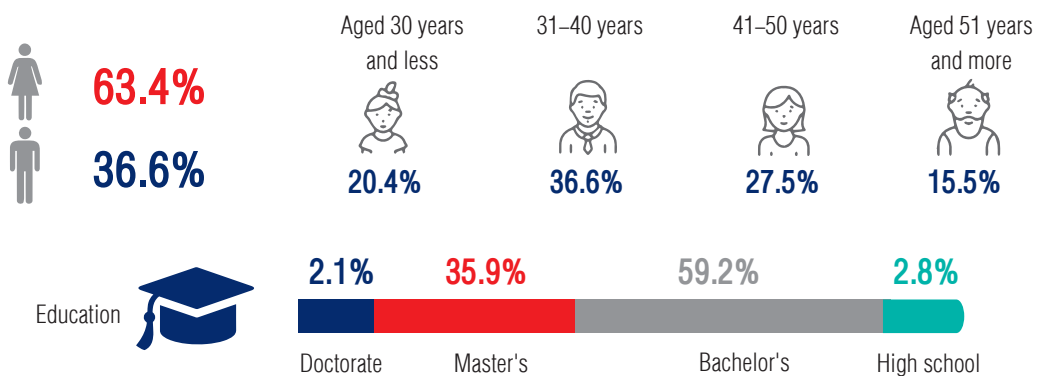
## ORGANISATIONAL STRUCTURE

Figure 1. Organisational Structure



In 2020, there were a total of 63 local representatives – charged with supervisory duties to maintain records of regulated institutions, and enforce and promote FRC's decisions – operating across all 21 provinces of the country and the nine districts of the capital.

Figure 2. Staff Information



## KEY INDICATORS

Figure 3. Key Indicators of the Regulatory Sector



## GLOBAL MARKET

The World Bank budgeted \$27 million in assistance for Mongolia. This included training for doctors, nurses, and medical staff; and hospital and laboratory equipment and materials.

- According to the IMF, the world economy contracted by 4.9% in 2020.
- The COVID-19 pandemic led to a sharp decline in global economic activity.

The microfinance sector had been booming in previous years, but in 2020 – due to the pandemic – many microfinance businesses were unable to operate temporarily; short-term and long-term.



The stock market indicators have changed since 2019 as follows.

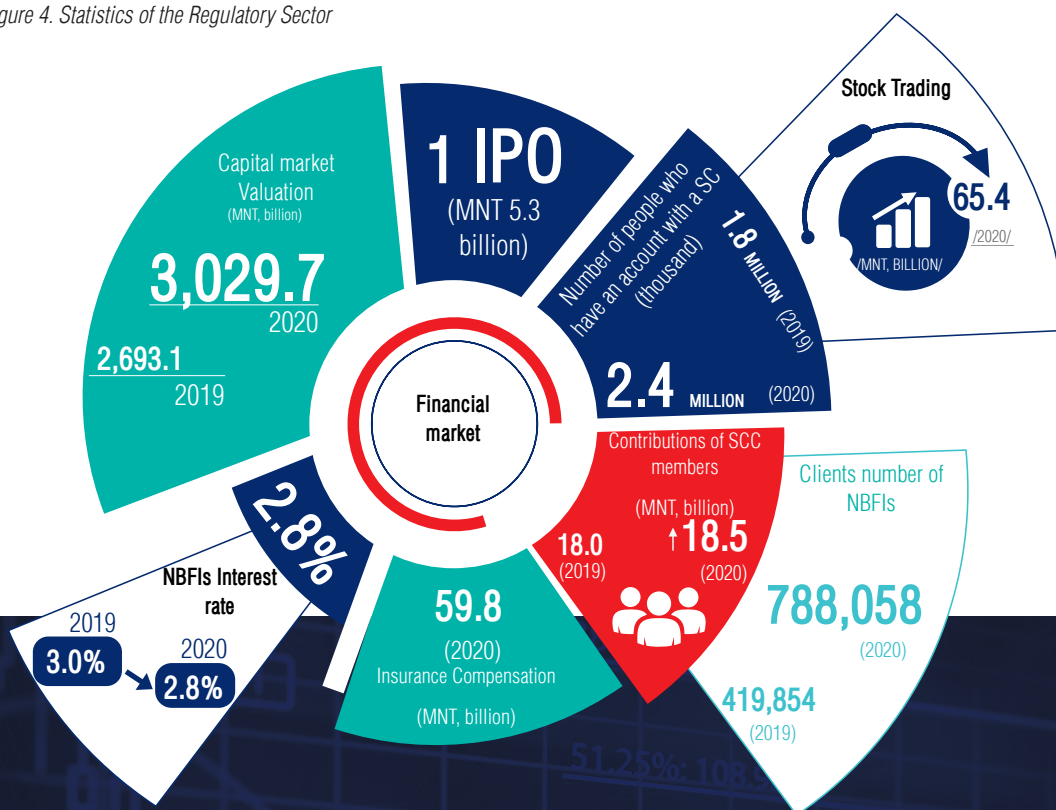
- The Morgan Stanley Capital International index was up 13.5%
- Germany's DAX was up 5.7%
- Japan's Nikkei was up 32.1%
- China's CSI 300 was up 27.2%
- France's CAC was down 7.1%.

Other countries' foreign direct investment decreased by 42% due to the pandemic. This is about 30% less than after the 2009 global financial crisis. Foreign direct investment in the 17 EU countries decreased by 66.7%.

South Asian countries such as India, Bangladesh, and Vietnam continued to lead the way in microfinance services.

## CURRENT STATUS OF FINANCIAL MARKETS

Figure 4. Statistics of the Regulatory Sector



### Stock market

- TOP-20 index: 19,285.8
- MSE A: 9,122
- JCSs: 315
- SCs: 53
- Value of agricultural products: MNT 488.7 billion
- Securities backed by MNT 4.4 trillion from 83,674 borrowers

### Insurance market

- Total assets: MNT 382.1 billion
- Total fees: MNT 201.5 billion
- Driver liability insurance fees: MNT 36.4 billion
- Reserve Fund: MNT 173.5 billion
- Penetration: 0.57%
- Density: MNT 61,117

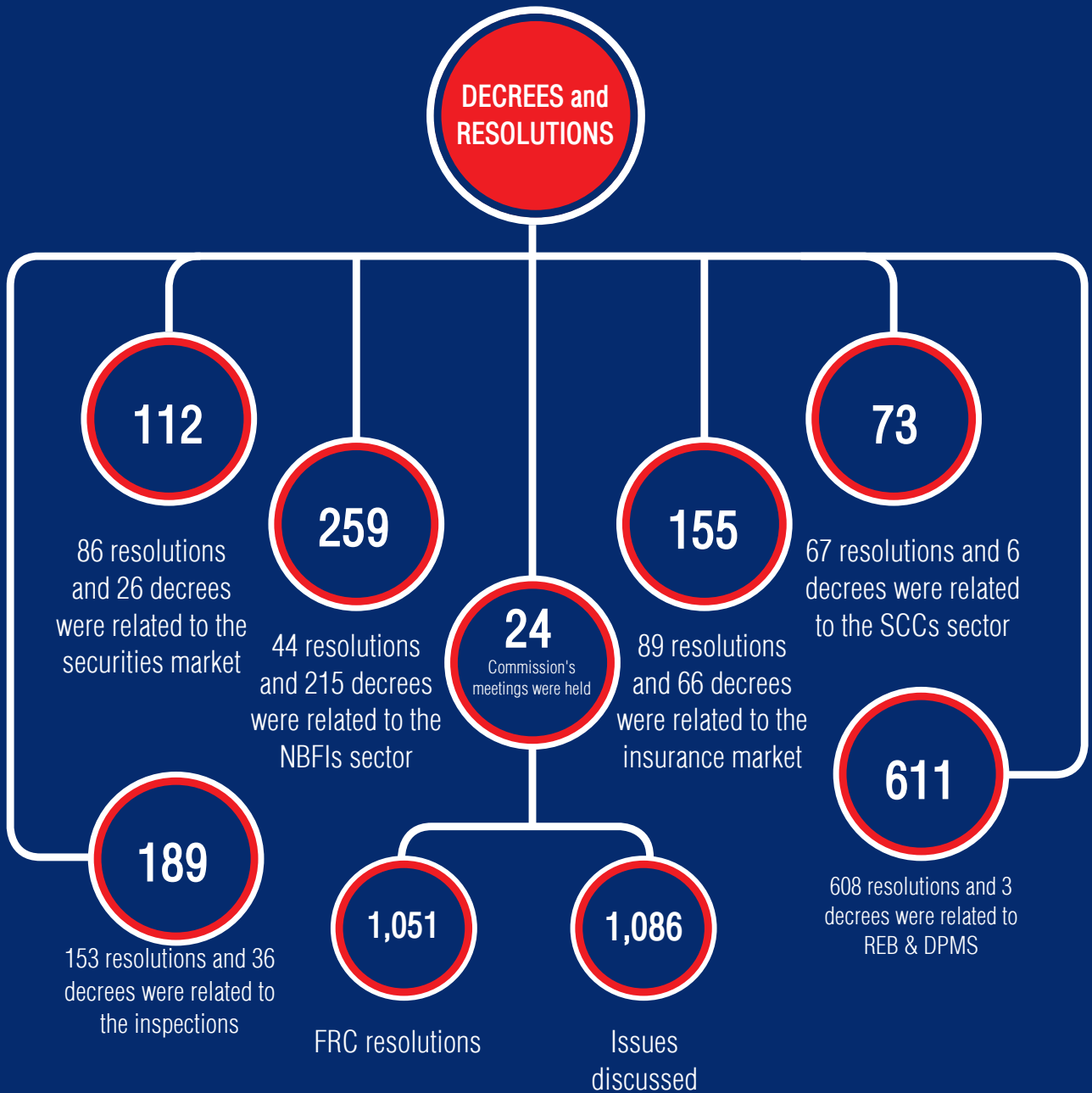
### NBFIs sector

- NBFIs: 532
- Total assets: MNT 2.0 trillion
- Total loans: MNT 1.3 trillion
- Annual weighted average interest rate: 2.8%
- Borrowers: 788,100
- Non-performing loan: 10.3%

### SCCs sector

- SCCs: 249
- Total assets: MNT 256.0 billion
- Total loans: MNT 167.6 billion
- Total savings: MNT 182.2 billion
- Annual weighted average interest rate: 3.0%, Annual weighted average savings interest rate: 1.5%
- Depositors: 35,900
- Borrowers: 35,800

## POLICY AND LEGISLATION



Throughout the year, a total of 1,086 issues were discussed and 1,051 resolutions were made; in the 24 Commissions's Meetings. The FRC's Chairman issued 396 decrees and the Chief Executive 374 decrees.

## POLICY AND LEGISLATION

Table1. Implementation of Resolutions

Decision of the supreme authority	Measures Implemented	Performance (%)
General directive for the economic and social development of Mongolia in 2020	5	81.0
Government of Mongolia's monetary policy guidelines for 2020	7	90.0
Action plan of the Government of Mongolia; 2016–2020	6	84.4
National program to develop Mongolia's financial market to 2025	59	96.7
Plan to intensify implementation of the national program to develop Mongolia's financial market to 2025	28	96.7
Action plan to implement the strategy to reduce interest rates; 2018–2023	31	88.0
Strategic document to reduce non-performing assets	8	81.0
Plan of the money and stock market development	18	80.4
<b>Total</b>	<b>162</b>	<b>87.4</b>

Ensured the implementation of 23 laws, 117 regulations, and guidelines related to financial market activities. Among these, the rules and regulations related to:

- securities market, 49,
- insurance market, 27,
- NBFIs sector, 17,
- SCC sector, 7,
- real estate brokerage and dealing in precious metals, 5, and
- within the framework of regulation, 12.

The FRC had planned to undertake 160 tasks within the four groups (securities, insurance, NBFIs and SCCs), and the organization's performance of the plan for 2020 reached a level of 91.0%. In addition, implementation of the FRC's plan for 162 policy documents for Parliament,

and four financial stability councils (related to the financial market's activities) was accomplished to a level of 87.4%.

In addition, Parliament's Resolution No. 21 of 28 August, 2020 – Strategy to Reduce Interest Rates – include work to reduce fees and charges for stock market infrastructure organizations. In connection with this, a working group – consisting of representatives of the government, private sector and provincial (local representative) institutions, along with professional associations – was established, by a joint order of the FRC Chairman and the Minister of Finance. The working group was divided into eight sub-groups. The sub-groups developed regulations – and prepared suggestions and conclusions on amendments to the necessary legislation – in connection with the activities reflected in the Commission's strategy.

## POLICY AND LEGISLATION

### 1. Within the framework of conforming to the General Administrative Law

A total of 11 administrative normative acts – approved by the FRC in 2020 – were registered in the state unified database of administrative normative acts; in accordance with the General Administrative Law. In addition, seven amendments to six normative acts – approved by the Commission and registered in the state database of administrative normative acts were reviewed by the state central administrative body in charge of legal affairs; and relevant actions were taken.

Table 2. Administrative Norms and Regulations registered 2020

Resolution, order name and number	Registered; MJHA	Title
FRC Resolution No. 441 of 2019.12.27	10 January, 2020. No. 4,622	Procedure for reselecting the minimum share capital of NBFIs and increase schedule of minimum capital.
No. 10/6 of 2020.01.14 of the Chairman of the FRC and the Minister of MoF	27 January, 2020. No. 4,674	Procedure for calculating index-based livestock insurance premiums
No. 10/6 of 2020.01.14 of the Chairman of the FRC and the Minister of MoF	27 January, 2020. No. 4,673	Assets of the Index-Based Livestock Insurance Joint Risk Fund; its financing and disbursement procedures
FRC Resolution No. 10 of 2020.01.15	27 January, 2020. No. 4,672	Procedures to be followed in increasing, decreasing, issuing, selling and transferring shares of an NBFi
FRC Resolution No. 114 of 2020.03.11	23 March, 2020. No. 4,737	Insurance market code of conduct
FRC Resolution No. 120 of 2020.03.11	23 March, 2020. No. 4,738	Procedures for licensing, permitting, authorizing and registering of REBs
FRC Resolution No. 179 of 2020.04.08	21 April, 2020. No. 4,265	Procedure for determining a suitable person to conduct financial and non-financial business and professional activities, other than banking with a license
FRC Resolution No. 181 of 2020.04.08	21 April, 2020. No. 4,766	Procedures for remote and on-site inspections of REBs
FRC Resolution No. 495 of 2020.06.29	22 July, 2020. No. 4,835	Procedures for regulating and supervising foreign exchange trading activities of NBFIs
FRC Resolution No. 757 of 2020.08.12	26 August, 2020. No. 4,854	Procedure for registration and public offering of Mongolian savings vouchers
FRC Resolution No. 880 of 2020.09.09	15 September, 2020. No. 4,867	Procedure for using the cumulative method of voting

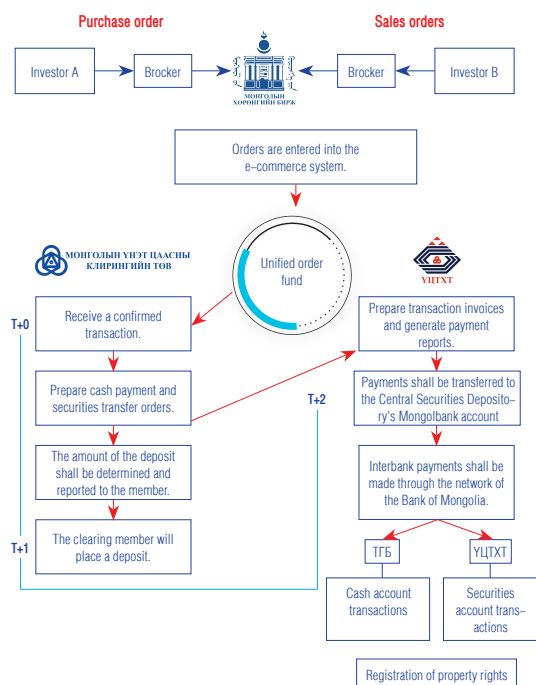
## POLICY AND LEGISLATION

### 2. Within the framework of financial services regulation

In 2020, the following measures were undertaken to create and improve the legal environment of the sector, and to enhance the implementation of legislation within regulations.

**Securities market:** Resolution No. 29 of the FRC provided for the introduction of the principles of T+2 settlement cycle and delayed payment. Moreover, provincial institutions and professional market service providers, under the supervision and leadership of the FRC, completed preparations and the system was transferred on 31 March, 2020. These innovations will allow investors to:

- place orders at their own risk,
- not have to place 100% of their resources on the basis of their own risk assessment,
- transfer the remaining payment if the order is fulfilled,
- reduce companies' fees from brokers and dealers, and
- raise foreign capital has become important to increase investment.



Resolution No. 28 of the FRC provided for the distribution of dividends through the Central Securities Depository Limited Liability Company (LLC); allowing joint-stock companies (JSCs) to receive dividends quickly and without delay. By this decision, JSCs will no longer have to pay dividends on their premises each year. And shareholders will be able to open one-time securities accounts; confirm their cash flow accounts, cash out dividends from their current banks, and trade through this account. There should also be more opportunity to invest in the stock market.

The Regulation on registration and public offering of depository receipts (approved originally in 2015) was revised and approved. The Regulation covers the scope for companies (operating in Mongolia but whose shares are traded on major stock exchanges in other countries) to expand their base and attract additional resources (by issuing certificates of deposit for example) and clarifies the procedures involved.

Approved in 2018, there is a 'Regulation on the issuance of securities by a legal entity registered in a foreign commercial organization to issue securities in Mongolia, and the registration of securities to be issued by a legal entity registered in Mongolia to conduct trade abroad'. This regulation was amended to cover the conversion of shares between exchanges; for people who own shares of companies listed on the MSE to convert their shares into foreign stock exchanges through MSDC LLC. As part of this, in Mongolia, the Erdene Resources Development Corporation has double-listed all its shares listed on the Toronto Stock Exchange.

## POLICY AND LEGISLATION

To provide for detailed legal regulation of the over-the-counter market (for professional investors) and to lay the foundation for the development of an over-the-counter market in line with international standards, FRC Resolution No. 995 was developed and approved.

The opening of the over-the-counter market will create a legal environment for companies to:

- trade closed debt instruments,
- save time and costs in issuing securities,
- create a secondary market for closed debt instruments,
- improve securities liquidity, and
- ensure information important transparency.

In addition, SMEs that had difficulty meeting the requirements and criteria for public offering securities, will be able to raise funding from the over-the-counter market.

The Securities Registration Procedure – approved by the Commission's Resolution No. 408 of 2015 – was updated. In addition to incorporating international rules and principles into the drafting of this regulation, it:

- brings regulations related to the issuance of initial and additional shares in line with international standards,
- organizes primary market trading through underwriting companies, and
- increases securities transparency of issuer information.



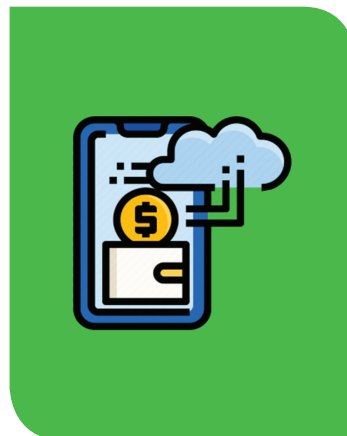
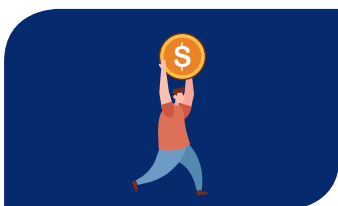
The Commission also established a regulatory environment for cash and securities nominal accounts to bring securities' ownership registration activities in line with international standards, to build the capacity of professional intermediaries, and introduce new types of services to the securities market.

This created conditions for foreign and domestic investors participating in the securities market to quickly process cash flows and register securities ownership rights. It also provides for movement to an internationally recognized system of direct ownership; improving the quality of financial, (and human) resources, software, management, and organizational requirements for service providers. It also increases the range of new products and services, that increase the liquidity of the securities market.



## POLICY AND LEGISLATION

**Insurance market:** Revised versions of the Law on Insurance, Law on Professional Participants and the Law on Driver's Insurance, were prepared by a working group which submitted proposals to the Ministry of Finance on the draft concepts of the draft laws, and the concepts of the draft laws were approved in April 2020.



### The relevant regulations of the 'Insurance Package rules' were updated and amended:

The regulations relevant to the Insurance Package rules were updated and amended. To increase confidence among the insured in the public insurance market (making the activities of the insurance market participants more ethical and making competition fairer) the Insurance Market Code of Conduct was revised. This was approved by the Commission's Resolution No. 114 of 2020, and registered in the Unified State Register of Administrative Norms.

In accordance with Law on Insurance, Law on Insurance Professional Participants (and other relevant legislation and the measures set out in the policy documents approved by the Parliament and the Government of Mongolia) the following were prepared by the Commission Resolution No. 959 of 2020:

- first appendix to the Insurance Package Rules,
- requirements and compliance for insurers and insurance intermediaries, and

- list of documents to be submitted when applying for a license.

These were renewed and approved in order to increase access – and provide for the conduct of business ethically – by studying the basic principles of insurance developed by the International Association of Inspectors. Attention was also devoted to the regulatory environment of foreign countries, best practices, and issues facing their industries. Establishing proper governance and risk management system for insurers and insurance intermediaries, ensuring information transparency, and protecting the interests of clients and insured, are of major importance.

## POLICY AND LEGISLATION



**NBFI sector:** A revised draft of the Law on Non-Bank Financial Activities was drafted and made ready to be submitted to Parliament. The draft law seeks to:

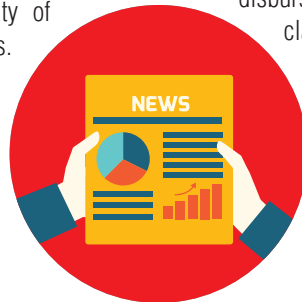
- reduce the number of licenses,
- empower sectoral participants,
- diversify and increase access to financial products and services,
- support the stock market and technology-based finance regulation (to reduce interest rates and protect the interests of investors and customers) by creating service increasing consumer loans.



FRC Resolution No. 495 of 2020 approved the Regulation on Regulation and Supervision of Non-Bank Financial Foreign Exchange Trading and established a procedure to connect NBFIs (engaged in foreign exchange trading) to the State electronic payment system. Also, the government information exchange system 'KHUR' can be used free of charge to provide services quickly, provide e-documents, and accurately deliver and monitor customer information to the Financial Intelligence Unit.



In order to increase the availability of loan guarantees, the FRC's Resolution No. 352 of 2020 was amended and approved the Regulation on Regulation and Supervision of the Loan Guarantee Fund. This provides an opportunity to increase the availability of guarantee services for people and SMEs.



FRC Resolution No. 998 of 2020 re-approved the procedure for classification of activities of non-bank financial institutions, the establishment and the disbursement of active risk fund. In this context, the classification name should be in accordance with international standards, and repayment made within 30 days of the date due. After payment, there is a chance to register in the normal category, and reduce risks that protect the interests of borrowers.

## POLICY AND LEGISLATION

**SCC sector:** A draft of the law on SCCs was developed to:

- promote market competition and access to SCCs,
- increase product range,
- improve coordination, and
- create a legal environment.

The Commission worked as a member of the sub-group responsible for preparing the draft Law on Cooperatives (revised version). It was established by Resolution No. 2 of the Mongolian Parliament's standing committee on economics (7 October, 2020).

Amendments were made to the criteria for prudential ratios of SCCs and approved by the Commission's Resolution No. 246 of 2018 (by Order No. 1,022 of December 23, 2020).

As many as 285 SCCs that were registered with the General Authority of State Registration (but had not applied previously to the Commission) applied for licenses; but were refused due to non-compliance (or their licenses were revoked).



## POLICY AND LEGISLATION

### 3. Within the framework of public financial education



The FRC signed an agreement with industry associations (MONICPA, Mongolian Institute of Certified Appraisers, Mongolian Bar Association, Mongolian Bankers Association, Mongolian Insurers Association, and Mongolian Association of Insurance Brokers) to organize trainings and cooperate in other areas.

In cooperation with professional associations, 28 trainings were organized online, and certificates were issued to a total of 980 participants..



The FRC developed and disseminated a manual to the public which included:

- the importance of insurance,
- combating money laundering,
- compliance and corporate governance,
- financial fraud, real estate brokerage, and
- dealing in precious metals and stones, (or articles made of them).



The Commission, in cooperation with Mongolian National Broadcasting, launched a weekly radio program 'Financial Market Hour'. The purpose of this program was to provide financial knowledge and information to the public, along with warnings, recommendations, and statements. The program was provided to the public through Channel 100.9 of the Mongolian National Radio; within the framework of the FRC's policy and regulatory activities (improving the basic financial knowledge of the public).

In cooperation with the National Centre for Lifelong Learning under the Ministry of Education and Science, a television course (including attention to 'Shares 1072', 'Financial Consumer Protection', 'Anti-money Laundering' and 'Insurance') was prepared and broadcast on the Star TV channel.



Within the framework of the Public Financial Education Improvement Program, the Commission prepared a program for the public which included attention to: the general classification of insurance, insurance indemnity, issuance of securities, activities of NBFIs, loans, corporate bonds, SCCs' activities, stock market, investor and client rights protection, investment funds, and investment guaranteed securities.

The FRC provided financial information for the public in the 'For your financial education' section of the Commission's website, and in the 'Financial education' section of [www.ikon.mn](http://www.ikon.mn).



## POLICY IMPLEMENTED TO REDUCE THE IMPACT OF COVID-19

**Securities market:** In accordance with Paragraph 6.5 of the Measures to ensure financial and economic stability, risk prevention and e-transition to public services during the coronavirus pandemic, Resolution No. 32 of 2020 (approved by the Parliament of Mongolia) was prepared for the issuance of asset-backed securities by the Capital City Housing Corporation.

The FRC issued a license to the Capital City Housing Corporation to issue securities secured by rental income or asset-backed securities. A total of 343,580 asset-backed securities (valued at MNT34.4 billion) were registered, secured by apartment leases for up to 15 years. The FRC granted the Capital City Housing Corporation LLC a license (to issue asset-backed securities) at its December meeting. Within this framework, more than 1,200 civil servants (working at the epicentre of the pandemic) will be provided with rent-to-own apartments. The Bank of Mongolia will handle funding, while the FRC will issue licenses for the issue of asset-backed securities (register securities, and issue trustee licenses) and it will also monitor and regulate the activities of participating organizations for at least 15 years.

The FRC worked to minimize the transaction costs of engaging in market trading, to provide guidance to provincial institutions on how to reduce the number of trading steps and to approve amendments of the applicable rules and regulations. The Bank of Mongolia and the FRC cooperated in implementing measures, which included providing sources of financing (with an interest rate close to the policy rate) to secure the Central Bank's repo financing; with a term of one to two years to be used as collateral for the securities. According to Section 1.4.1 of Resolution No. 21 of 2020, the strategy to reduce interest rates approved by the Parliament, states that 'Issuance of securities secured by normal bank loans on the terms of low-interest loans to borrowers of non-mining exports and SMEs'. The FRC provided a license to the Mongolia Securities Finance Corporation LLC (by Resolution No. 937) to issue asset-backed securities, and to the Securities Finance Corporation LLC (by Resolution No. 882) to conduct asset management activities. The Bank of Mongolia and the Commission will collaborate to increase efforts to lower interest rates; and policy support is critical to ensuring financial stability, increasing financial market growth, and lowering interest rates.

The FRC recommended that JSCs hold their regular shareholders' meetings virtually, and conducted a survey of JSCs that organized their shareholders' meetings electronically. The public was given the opportunity to comment on a draft regulation concerning the electronic organisation of shareholder meetings. Within the consent of the regulation, if JSCs conduct their shareholders' meetings electronically, the interests of small shareholders will not be violated; they will have equal opportunity to participate, the vote will be fair, and the meeting will be held in a transparent manner.



## POLICY IMPLEMENTED TO REDUCE THE IMPACT OF COVID-19

**Insurance market:** During the shift to public emergency preparedness, the Commission introduced requirements for insurers and insurance professionals. These included requirements that insurance brokers contact electronically, or using advanced technology. It also provided for use of approved requirements for Boards of Directors, and policies and procedures for developing new products and business models. As a result, five insurance companies used mobile calls, Facebook and chatbots to receive applications for: consulting, concluding insurance contracts, and receiving information on insurance cases and compensation documents.

In response to the Mongolian government's decision to suspend mortgage interest rates for six months, insurance companies froze mortgage and life insurance premiums for mortgage borrowers.

Four online trainings and examinations were successfully arranged to authorize insurance brokers, insurers, and insurance companies to offer audit services.

When the COVID-19 pandemic was first reported in Mongolia in March 2020:

As part of their social duty, National Life Insurance LLC launched a new free product called 'COVID-19 Life and Disability Insurance' to insure the lives and health of public health workers, emergency responders, and special government employees who serve in high-risk environments.

The FRC registered a new product 'COVID Inclusive Insurance' launched by Mandal Daatal JSC. This insurance product can be reimbursed in the form of compensation for the loss of income due to COVID-19 disease and isolation. Since the first case of coronavirus was discovered in Mongolia on November 10, the firm has sold 1,529 contracts to Facebook chatbots, insuring 82,000 of its consumers for free.

When the first case of COVID-19 was discovered in Mongolia – in March 2020 – the country was shifted to a public preparedness level:

The FRC electronically verified and registered the development of COVID-19 health insurance policies through National Life Insurance LLC. This will cover people and policyholders against potential financial losses, related to coronavirus during the transition to high-level emergency preparedness. As a result, people and policyholders will be able to purchase insurance products online, settle their claims quickly, and be protected from the financial risks of the coronavirus. The COVID-19 pandemic risk insurance policy from Ard Daatgal JSC was quickly reviewed and licensed.



## POLICY IMPLEMENTED TO REDUCE THE IMPACT OF COVID-19

**NBFI sector:** By Resolution No. 148 of 2020, the FRC revised the Regulation on Determining and Centralizing Regulatory Service Fees and voted to delay the charging of regulatory service fees until 31 July, 2020.

The Procedure for classification of assets of non-bank financial institutions, along with formation and disbursement of the asset risk fund was temporarily amended by joint order (No. 122/58 of 2020) of the Chairman of the FRC and the Minister of Finance, and FRC Resolution No. 854 of 2020 (to prevent an increase in non-performing assets in the NBFI sector). The decision was made to apply this until 31 December, 2020. As a result, 186,000 borrowers applied to 247 NBFIs to change loan agreements totalling MNT198.0 billion. A total of MNT164.2 billion worth of loan agreements were revised for 132,900 borrowers (whose operations were interrupted) with the typical loan period being extended by 108 days and the loan classification was unchanged.



Official letter No. 3/4654 (19 November, 2020) of the Chief of Executive – according to Resolution No. 183 of the Government of Mongolia (of 18 November, 2020) – states the following:

- NBFIs engaged in lending activities should not be downgraded, if the loan agreement is extended two or more times within the specific period;
- When resolving a request to defer payment of principal and interests on a loan to individuals and businesses, the terms of the agreement shall be changed in accordance with the solvency of the borrower, without additional pressure such as increased interest, fines, penalties and accrual of interest.



## POLICY IMPLEMENTED TO REDUCE THE IMPACT OF COVID-19

**SCCs sector:** Mongolia's shift to high level emergency preparedness hindered economic growth, disrupted individuals and business operations and adversely affected the country's finances and solvency. In order to reduce potential risks in the financial sector and maintain stability, amendments were made to the Resolution for classification of assets of Savings and Credit Cooperatives, establishment and disbursement of asset risk fund. This was approved by the joint decree No. 122/58 of the Chairman of the FRC and the Minister of Finance (dated 18 March, 2020) and to be enforced until 31 July, 2020. The FRC's Resolution No. 854 of 2020 resolved to extend the term of this provisional procedure until 31 December, 2020, to coincide with the validity period of the COVID-19 Law on Prevention, Control, and Reduction of Social and Economic Impacts. Subsequently, by Commission's Resolution No. 1023 of December 23, 2020, it was agreed to extend this to 1 July, 2021.

As of 31 December, 2020, a total of 6,868 borrowers from 129 SCCs had submitted amendment applications for their loan agreements (worth MNT27 billion). Resolved loan agreements worth MNT17.9 billion from 4,756 borrowers had amended their agreements, to extend the deadline for payment of principal and interest until 31 July, 2021

It was impossible to call real annual meetings of all members by 1 April, according to the Law on Savings and Credit Cooperatives. The SCC held regular meetings of all members electronically and made the necessary decisions. According to the FRC's guidelines, meetings should be organized in a way that meets the cooperative's

specific needs, such as using electronic technology to convene meetings. This ensures participation through an authorised delegate, rather than gathering a large number of participants in the event of emergency. License-related requests were submitted and tracked via the electronic Licensing System, despite the shift to a state of general disaster preparedness. As a result of digitalization of license registration, as of 30 November, 2020 the following requests were received from SCCs and reviewed electronically:



- 3 to obtain licenses;
- 6 to extend licenses;
- 1 to obtain additional permits;
- 3 to register changes in elected and authorised officials; and
- 1 to register changes in address and location.

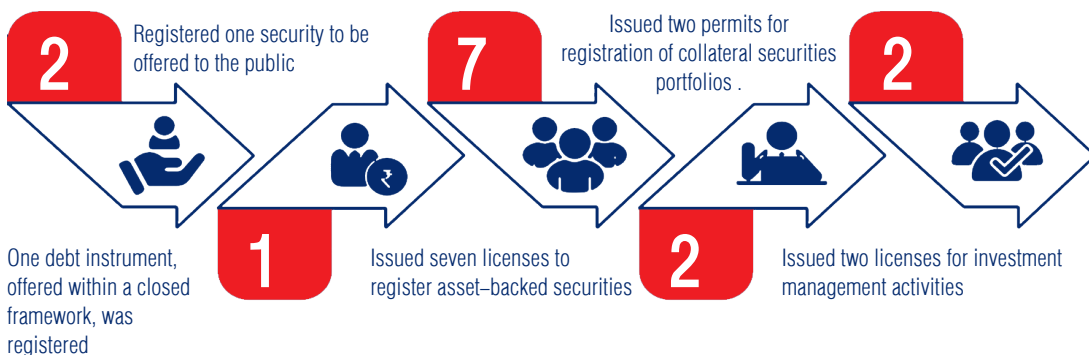
SCCs were notified of the temporary implementation of the 'Procedure for Classification of Assets and Credit Cooperative Assets, Establishment and Disbursement of Asset Risk Funds' in connection with the coronavirus pandemic. And the Commission offered advice and recommendations to certain SCCs via email.

## LICENSING AND REGISTRATION

**Securities market.** In 2020, licenses and registrations issued by the FRC, in the field of securities, included:

- License to conduct securities dealer activities – 1
- License for securities market participants to act as investment advisors – 1
- Registration of documents for the establishment of a private investment fund – 5
- License for mutual investment fund – 1
- License to conduct investment management activities – 2
- Registration as a legal entity to provide audit services to securities market participants – 1
- Registration as a legal entity to provide legal advice to securities market participants – 2
- Registration of securities market participants as legal entities for property valuation – 2
- License for asset management activities – 4
- License to operate as an agricultural broker – 2
- License to conduct broker activities for the selling and purchase securities in foreign securities market – 3
- Authorization to provide broker services to clients through nominal accounts – 4
- License to operate as a pledge portfolio registrar – 2

Figure 5. Information of the Securities Market; Licensing and Registration



Insurance agents licenses issued to 57 people



Issued 46 licenses to open branches of insurance and professional participating companies.

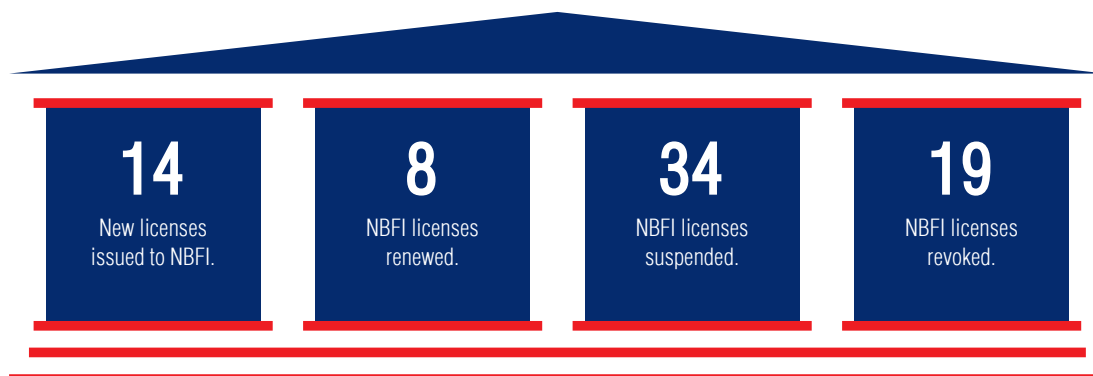
The rights and registration of insurance actuaries were granted to two legal entities.

**Insurance market.** In 2020, licenses and registrations issued in the field of insurance included:

- License for insurance broker – 6
- License to open branch for insurance and insurance intermediaries – 47;
- Registration of insurance products – 52
- Registration for opening a representative office – 2
- Rights and registration of insurance actuaries – 2
- License for insurance agent – 57
- Right to audit an insurance company – 1
- Auditor – 1
- Permission to restructure insurance company's share capital and shareholder – 5

## LICENSING AND REGISTRATION

Figure 6. Information of the NBFI Sector; Licensing



**NBFI sector:** In summary, among NBFIs:

- 14 new licenses were issued,
- 8 licenses renewed,
- 34 licenses suspended,
- 1 license partially renewed,
- 7 licenses partially revoked,
- 20 licenses fully revoked, and
- activities of two were consolidated.

**SCCs sector.** In 2020, licenses and registrations issued among SCCs included:

- new 14 licenses for deposit and credit activities were issued;
- 2 licenses restored,
- 49 licenses extended,
- 26 licenses revoked,
- permission was granted to open branches for 7,
- permission to change address and location for 7,
- registered to have elected and authorized officials for 31

Table 3. Information on NBFIs; Licensing and Registration

Authorizations	Number
Name change	7
Additional license	21
Open branch	29
Close branch	2
Authorization of a representative office	2
Change of address	60
Change of equity, and/or composition of shareholders	165
Appoint an authorized official	92



## LICENSING AND REGISTRATION

### REBs

In the field of real estate brokers, licenses were issued to 167 new REBs



Table 4. Number of Licenses and Registrations among REBs

Licenses and Registrations	Number
Change of equity, and/or composition of shareholders	2
Registration of a legal entity engaged in REB activities	188
Registration of agents of legal entities engaged in REB activities	1,171
Change of address	4

**Dealers in Precious Metal and Stones:** Licenses were issued to 30 Legal entities and 399 individuals in the field of DPMS.

Table 5. Number of Licenses and Registrations among DPMS.

Permission name	Number	
	Individual	Legal entities
License to trade in precious metals and stones	231	15
License to operate as DPMS	111	3
License to operate as a DPMS	57	12
Industry approval		1



## SUPERVISION

### WITHIN THE SCOPE OF OFF-SITE SUPERVISION:

The FRC received and reviewed monthly and quarterly financial statements, balance sheet metrics and reports on prudential ratios submitted by regulated entities. The Commission issued timely guidance, and undertook tasks to eliminate violations and shortcomings as well as monitor their implementation. A total of 8,742 (including some replicates) monthly and quarterly financial reports, and prudential ratios, were monitored off-site.

**Securities:** Among SCs, notices were sent to:

- 78 according to the 2019 year-end financial statements, term assignments;
- 20 underwriting activities companies licensed to operate Issuance of bonds under IPOs, and closed bonds related warnings;
- 58 in connection with financial statements for the first quarter of 2020;
- 53 in Q2; 11 SCs which did not meet the proper ratios in the Q3, 10 investment management companies and 4 agriculture exchange did not submit reports.

The Questionnaire for Assessing the Risk of Money Laundering and Terrorist Financing and Proliferation of Weapons and Mass Destruction was submitted to 80 SCs.

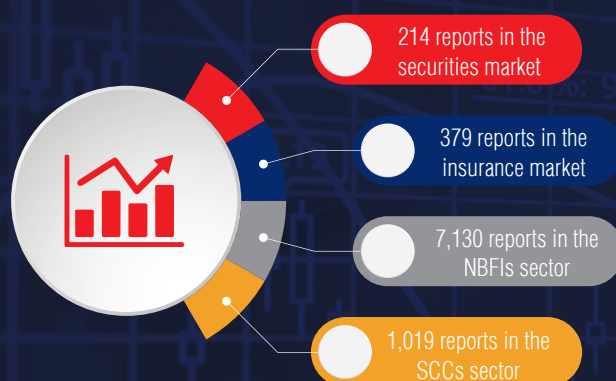
**Insurance:** In order to implement risk-based supervision procedures, risk analyses of 16 insurers were conducted on a quarterly basis, and reported.

**NBFIs:** The Questionnaire for Assessing the Risk of Money Laundering and Terrorist Financing and Proliferation of Weapons and Mass Destruction was submitted electronically to a total of 538 NBFIs and monitored.

**SCCs:** Of the total number of 221 licensed SCCs, 191 were required to submit their meeting materials to all members. Similarly, 191 SCCs were required to undergo an audit of financial statements, of which 182 SCCs submitted audit reports and conclusions.

To strengthen the risk-based supervision system, risk assessments were conducted on 120 SCCs in the last 12 quarters (the last three years), and a risk assessment was conducted on the implementation of the criteria for prudence. A total of 353 (including some replicates) reports and 27 notifications were submitted to SCCs.

Figure 7. Remote Monitoring and Inspection Data (in duplicate numbers)



Within the framework of improving the securities trading control system, reviewing the minutes of the shareholders meeting and the materials of the meeting in accordance with the relevant legislation and issuing a consolidated conclusion. A total of 174 JSCs shareholders' meeting minutes were reviewed, and 134 JSCs shareholders' meeting materials were reviewed and responded to. According to the FRC's website, 63 well-known JSCs did not convene shareholders' meetings. A total of 93 JSCs submitted decisions of the Board of Directors (to distribute dividends) to the FRC; 35 JSCs of

which decided to pay a total of MNT132.7 billion in dividends to 127,653 shareholders. As of 24 December, 2020, Erdenes Tavan Tolgoi JSC had distributed dividends of MNT143.8 billion to 2.0 million shareholders.

## SUPERVISION

### WITHIN THE SCOPE OF ON-SITE INSPECTIONS:

**Securities market:** In response to people's requests for information about the distribution of dividends on 1,072 shares, six SCs were inspected on-site, and eight SCs' activities were monitored on-site, with instructions given in inspection report. During the on-site inspections, the state inspector sent requirements to eight well-known JSCs, and assessed their implementation. A total of 244 JSCs were notified, and the Commission worked with local representatives to send letters to the companies. Sixty-seven JSCs received alerts and notifications for failing to hold regular shareholders meetings.

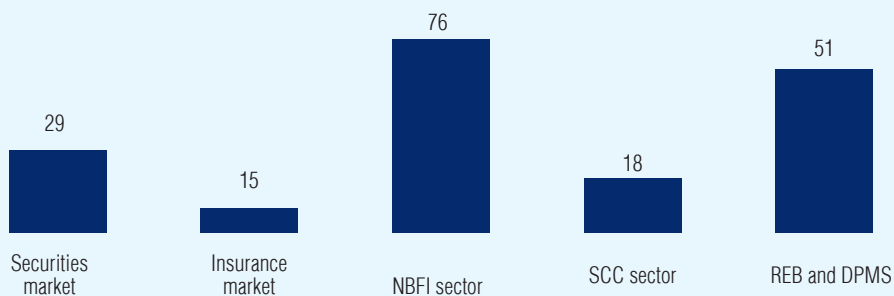
**Insurance market:** For the first time, the insurance intermediation activities of nine banks (licensed to act as insurance brokers) were conducted in accordance with the mortgage insurance regulations. This was to determine whether the brokerage and mortgage insurance contracts were concluded in accordance with the law, and the brokerage insurance contract and premium income calculated with the insurer. On-site inspections were carried out to ensure compliance with the terms of reference. Partial on-site inspections were conducted to eliminate identified deficiencies, and inspection reports and assignments and instructions were provided by official requirements of state Inspector. During on-site inspections, insurance companies were examined for compliance with the Law on Payments in National Currencies, and no violations were found.

**NBFIs:** In the reporting year, a total of 59 NBFIs were inspected on-site within the context of risk-based inspections, as ordered by the Chairman of the Commission. Fifty-eight licensed NBFIs were partially inspected and 1 NBFIs was entirely inspected on-site.

Within the framework the Regulation on the Supervision and regulation of foreign exchange trading the activities of NBFIs were approved by the FRC Resolution No. 495 of 2020. Partial on-site inspections were performed at 37 NBFIs engaged in foreign exchange trading at the Naiman Sharga Centre in September 2020; pursuant to Order No. 317 of Chairman of the FRC. Within the framework of this inspection, fines totalling MNT16.0 million were imposed on four individuals engaged in unlicensed currency trading. In accordance with the Law on Infringement, a case of violation against one legal entity was opened and transferred to the Prosecutor. Notices were sent to 33 NBFIs, to ensure the Regulation and Supervision and Regulation of Foreign Exchange Trading.

**SCCs:** On-site inspections were carried out on 16 SCCs in compliance with the guidelines approved by the Chairman of the FRC. Thirteen SCCs were selected for time-bound assessments, according to official requirements of the state inspector.

Figure 8. On-site inspection information; by participants



## SUPERVISION

In 2020, a total of 72 official requirements of state inspectors were submitted in four areas, including:

- 8 in securities market,
- 38 in NBFIs sector,
- 13 in SCCs sector, and
- 13 in insurance market

Thirteen official requirements of state inspectors were delivered and the recipients worked to meet the requirements.

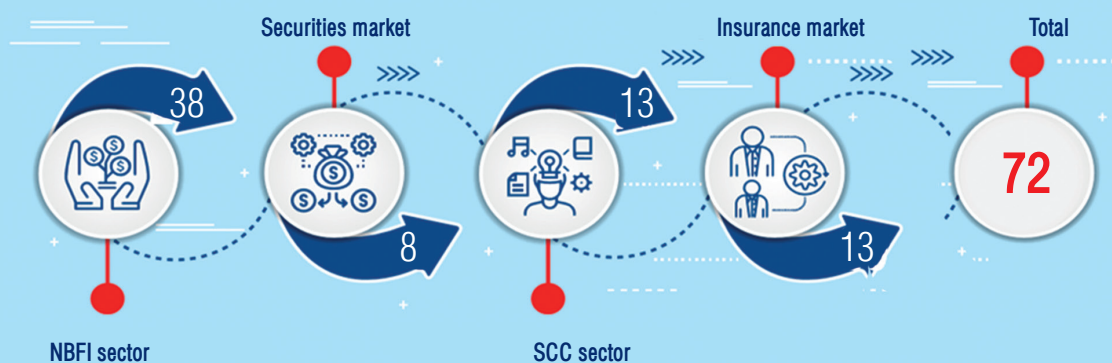
The FRC resolved 132 issues; of which: 42 were suspensions of licenses, 16 renewals, 70 revocations,

three transfers of customers of SSCs, and one reorganization.

A total of 51 NBFIs that did not meet the requirements of minimum share capital during the reporting period were discussed at the FRC meetings. Of these,

- 28 had their licensed activities suspended for up to three months,
- 17 had their licenses for non-banking activities revoked in full, and
- 6 had their licenses renewed

Figure 9. Requirements; by Market/sector



A total of MNT2.5 billion in fines was charged in 2020, as part of the supervision of the payment of the state stamp duty, administrative service fees, and fines.

In accordance with the requirement that SCCs cooperate with the Credit Information Database, 123 SCCs (of a total of 247) entered into cooperation agreements.

The Credit Information Database of the Bank of Mongolia renewed its cooperation agreement with 403 NBFIs.

According to the FRC's Resolution No. 480 (10 June, 2020) the regulatory service fee to be paid to the

Commission from agricultural brokers was not less than 0.04% of the total value of the contract for sale and purchase of washed and combed cashmere traded on the MACE. In connection to Paragraph 3.2 of the Measures to ensure financial and economic stability, risk prevention and electronic transition to public services during the outbreak of coronavirus infection (COVID-19) the FRC presented for approval by Parliament the Resolution No. 32 (of 29 April, 2020). From 29 April to 1 November, 2020, the service fee was set at 0%.

## SUPERVISION

Staff participated in court hearings; as appointed agents of the Commission and as State inspectors in administrative, civil and infringement cases. They were engaged in all stages of the process, including filing petitions, providing answers, presenting relevant facts, filing motions, appealing, and filing review complaints.

By the end of 2020, the FRC had participated in a total of 27 court cases and disputes; as plaintiffs, defendants and as third parties. These included: 14 cases from the previous year, the filing of four new lawsuits and the receipt of nine claims. Of these, 20 cases were settled and the remaining seven are pending. By classification, 21 cases (77.8%) related to the decisions and activities of administrative organizations and officials, and six cases (22.2%) concerned civil cases.

The plaintiffs and legal organizations agreed to deposit a total of MNT180.0 million in fines and restitution in the Commission's account (based on the rulings, verdicts, and decrees of the above-mentioned court cases). Plaintiffs and legal entities transferred MNT80.9 million in fines and compensation to the Commission's account; and complied with court decisions, orders, and rulings.

Of a total of 27 cases in 2020, 20 were fully resolved, of which:

- 12 (60%) were dismissed in their entirety (decided in favour of the Commission),
- 4 (20%) settled the claim (decided against the Commission), and
- 4 (20%) settled and dismissed (half each).

### GENERAL INFORMATION

TOTAL CASES

28



REVIEWED AND RESOLVED

21



REVIEWING AND RESOLVING

7



### LEGAL CLASSIFICATION

CIVIL CASES

6

▲ 21.4%



ADMINISTRATIVE CASES

22

▲ 78.6%



## PROTECTING THE RIGHTS OF CONSUMERS AND INVESTORS

Within the framework of resolving petitions and complaints from license holders, securities issuers, investors and clients, a total of 1,452 petitions were received in 2020. Of these, 779 were received by phone, 195 electronically, and 478 in writing. All petitions and complaints were resolved within the legal deadline, and 37 petitions and complaints were under review.

The number of petitions and complaints quadrupled since the previous year. In Article 8 of the Government

Resolution No. 183 of 2020, Measures to be taken to support the economy in connection with the shift to the High-Level Emergency Preparedness it is stated that 'Amendments to the agreement of the principal and interest repayment period of loans given by NBFIs and SCCs to individuals and business organizations shall be made on the basis of the requests of a borrower and the solvency, without any pressure to raise interest, fines and penalties.'

Figure 10. Petitions and Complaints; Decisions



## ANTI-MONEY LAUNDERING AND COMBATTING THE FINANCING OF TERRORISM



In October 2019, the FATF included Mongolia in the list of countries with strategic deficiencies in AML/CTF (the 'Grey List') and the European Union added Mongolia to its list of High-Risk Countries (the 'Black List'). The FATF General Assembly removed Mongolia from the 'Grey List' on 23 October, 2020; and the European Union removed it from the 'Black List' on 9 December, 2020.

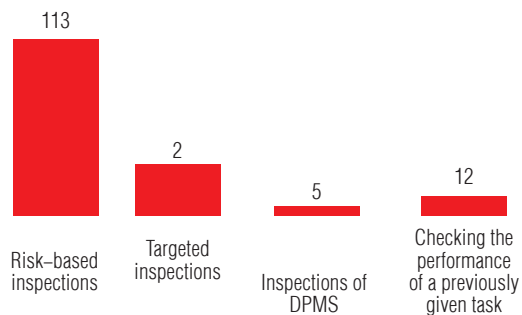
### NATIONAL RISK ASSESSMENT

On 27 April 2020, a working group on the National Risk Assessment for Money Laundering and Terrorist Financing in Mongolia was set up by Order No. 90 of the Minister of Finance. Within the framework of this, a total of 10 modules were evaluated according to the World Bank's methodology, and six of these were being handled by the FRC with 82 members.

In addition, the National Risk Assessment 2020 was carried out in accordance with the World Bank methodology, and its working group – consisting of members of professional associations and regulated sectors – collected relevant data and statistics from various sources.

Under Modules 4, 5, 6A, 6B, 7 (DPMS and REBs) and 9, the Commission assessed regulated sectors. A total of 21 discussions were organized during the preparation of the working group's report of each module. In compliance with the guidance given by the Bank of Mongolia's Financial Information Unit, complete versions and summaries of the report and appendices were supplied on a regular basis.

Figure 11 On-site Inspections for AML/CFT



## ANTI-MONEY LAUNDERING AND COMBATTING THE FINANCING OF TERRORISM



### PROVIDE INFORMATION AND TRAINING TO THE PUBLIC

In 2020, the FRC trained 3,026 people in AML/CFT, of these more than 1,500 received instruction remotely by e-learning. In the field of AML/CFT, a total of 54 trainers were qualified. The FRC also collaborated with the Banking and Finance Academy to organize trainings; and concluded training agreements with professional organizations in the sectors.

A handbook on AML/CFT and the proliferation of weapons of mass destruction, was updated and made available to the public.

The Anti-Money Laundering menu on the FRC's website was modified to include: AML/CFT-related legislation, training materials, current data, risk assessment reports and their outcomes, operational guidance, and manuals.

All relevant information from the AML/CFT menu was posted on the unified website [www.amlcft.mn](http://www.amlcft.mn) in collaboration with the Cooperation Council. The English version of the AML/CMT menu was created, all required information was posted, and news items published.

### PREVENTIVE ACTION

The FRC took steps in conjunction with the Plan for Cooperation of the Financial Regulatory Commission, the General Intelligence Agency, and the General Police Agency in AML/CFT in 2020.

In August 2020, the Asia Pacific Group on Money Laundering approved Mongolia's Third Follow-up Report, concluding that FATF Recommendation 14 had been 'fully implemented' in two steps. The Asia Pacific Group approved Mongolia's Third Progress Report in August 2020, upgrading Recommendation 28 by one stage and concluding that 'most of it had been implemented.'



## INTERNATIONAL COOPERATION

The FRC prepared to join the Multilateral Memorandum of Understanding (MMoU) of the International Association of Insurance Supervisors (IAIS), and the Enhanced Multilateral Memorandum of Understanding (EMMoU) Concerning Consultation and Cooperation and the Exchange of Information, of the International Organization of Securities Commissions (IOSCO).

The MMoU of IAIS provides signatories with broader opportunities of joining the global framework for close cooperation and information exchange between insurance supervisors, and receiving technical assistance in implementing insurance core principles and standards from other signatories.

The EMMoU of IOSCO provides additional key powers identified as significant to promote cross-border enforcement cooperation and assistance in the field of AML/CFT, and combating cross-border fraud and misconduct (including insider dealing and trading, market manipulation) and so on.



Strengthening Fiscal and Financial Stability project



Board Member and Deputy Chair of the Eastern Europe & Central Asia Policy Initiative (ECAPI) and Regulated Entities Empowerment on Green Finance project



Expanding the Capacity of Nonbank Finance Sector to Support Financial Access and Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls projects



Fellowship Program (long and short-term training) of the Global Financial Partnership Centre



Capacity Building of the Capital Market; Phase 2 project



Member of the Mutual Exchange Forum on Inclusive Insurance, and Chair of the Regional Steering Committee



Financial Supervisory Partnership Programme



Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia program (RPFI III)



Delivery versus Payment and T+2 Settlement System and Support for the Legal Framework on Non-Bank Financial Institutions in Mongolia projects



Short-term capacity building training of International Monetary Fund; Singapore Regional Training Institute



MoU of Insurance Regulatory and Development Authority of India, and MoU of Securities and Exchange Board of India for Mutual Co-Operation and Technical Assistance

## INTERNATIONAL COOPERATION

In cooperation with international banks, donor organizations, and international standard-setting organizations, the FRC implemented technical assistance projects in strengthening the capacity of the non-bank financial sector.



# IAIS

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

The Commission participated in the Ensuring Flexibility in Insurance working group of IAIS. The working group focused on studying risks (including those arising from virtual activities) impacting insurance company activities, market trends, and mitigation measures and policies.

The Commission submitted its response to the IAIS survey on the impact of the COVID-19 pandemic on the global insurance sector, and exchanged information with other signatories.

On 15 May 2020, Mr Bayarsaikhan Dembereldash, Chairman of the FRC, completed two MoUs – on Mongolia Green Finance Market Development Project, and Mongolia Value Chain Finance Market Development Project – with Rufat Alimardanov, Resident Representative of the International Finance Corporation.



On 27 March 2020, The Commission established an agreement on Regulated Entities Empowerment on Green Finance project – with the objective of supporting green finance, and increasing possibilities of financing the green economy – with the Alliance for Financial Inclusion. Within the scope of the project, a baseline survey (to assess the level of understanding and knowledge on green finance) was conducted among 263 NBFIs. Based on the results of the survey, a training manual and program were developed. The Commission is preparing to conduct training directed to increase awareness of green and sustainable financing among NBFIs.



## RESEARCH AND ANALYSIS

The FRC makes decisions – on financial sector policies, regulations, and supervision – on the basis of research and analysis. Based on the feedback and recommendations stated in the research reports, the Commission approved, and implemented the following documents:

- Regulation of the Integrated Database of the Commission
- Sandbox Regulation
- Improving access to finance in Mongolia program
- Disaster Preparedness Plan
- Extending the Integrated Database, and publication of financial market statistics bulletin.

The Commission contributed to the Public Emergency Readiness Regime (for the COVID-19 pandemic).

An overview of the financial sector, booklet, data and research works are available on the FRC's website ([www.frc.mn](http://www.frc.mn)), and related information can be provided via email address ([rsa@frc.mn](mailto:rsa@frc.mn)) and phone number (51-261012).



During 2020, 32 research studies were undertaken.



Research Brief dedicated to the 15th anniversary of the FRC.



Quarterly: Financial Market Review.



Monthly: Inclusive Finance journal.



Monthly: Financial Market Monthly Review.



Weekly: News of financial market.

## CORPORATE GOVERNANCE AND COMPLIANCE

The Procedure for the Use of Cumulative Voting Methods (approved originally by the FRC's Resolution No. 367) was renewed, and approved by the FRC's Resolution No. 880 in 2020. Under the Regulation, small shareholders are provided with opportunities to choose their representative in Boards of Directors.

A corporate governance assessment model (offsite/remote/assessment survey with a total of 70 questions) was developed. The assessment questionnaire was presented during on-site supervisions, and four assessments of the governance of four regulated entities were conducted. Relevant feedback and recommendations were reflected in the associated reports



Under the program to implement Corporate Governance Codex, the Board of Directors of companies adopted the policies (including; company code of conduct, remuneration policy, succession policy, internal audit policy, dividend policy, risk management policy, and internal control policy). They also developed drafts of internal policy documents and regulations, and posted them on the Committee's website.

Within the framework of improving corporate governance, the Commission worked with: National Council on Corporate Governance non-governmental organization (NGO), Corporate Governance Development Centre NGO, MSE, Mongolian Association of Securities Dealers (self-regulatory organization), Mongolian Association of JSCs and Corporate Governance Institute NGO.

On 17 September 2020, a discussion titled Compliance and Information Transparency of Joint Stock Companies was organized in cooperation with the Open Society Forum NGO. In the discussion, 140 people were involved, including representatives of JSCs, market participants, self-regulated organizations and researchers.

The following trainings were conducted:

- Financial Consumer Protection in cooperation with the National Centre for Lifelong Education (under the Ministry of Education and Science),
- Advanced level corporate governance for the Commission's officials; in collaboration with the Corporate Governance Development Centre NGO,
- Two courses on Corporate Governance and Compliance for the real estate company RE/MAX,
- Two courses on Compliance for DPMS,
- Financial Consumer Rights and Compliance, for insurance loss adjusters,
- Financial Consumer Rights and Compliance, for insurance intermediaries, and
- Certificate course on Compliance for authorized officials; organized by the Mongolian Non-Bank Financial Institutions Association NGO.

### DISCUSSION ON COMPANY COMPLIANCE AND INFORMATION TRANSPARENCY

2020.09.17

## INFORMATION TECHNOLOGY

### Electronic license system:

Services for licenses, authorisation, and registrations were fully digitalized.



The FRC exchanges official letters with organizations (including government agencies, regulated entities, and other organizations) based on digital signatures; giving opportunities to introduce agreements/contracts based on digital signatures.

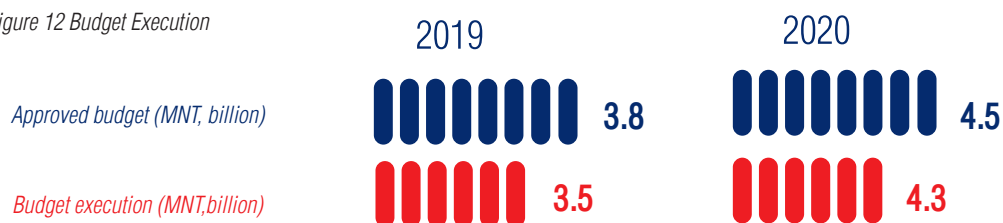
The Commission and the Communications and Information Technology Authority completed a MoU. Within the scope the MoU, in order to exchange information under E-Mongolia, connections were made with the 'KHUR' and 'DAN' systems.



To digitalize the Commission's internal operations, preparations for transition to an integrated management system for government agencies was completed.

## BUDGET AND FINANCE

Figure 12 Budget Execution



In 2020, the FRC successfully provided regular and sound operations. The total expenditure was MNT4.6 billion, consisting of:

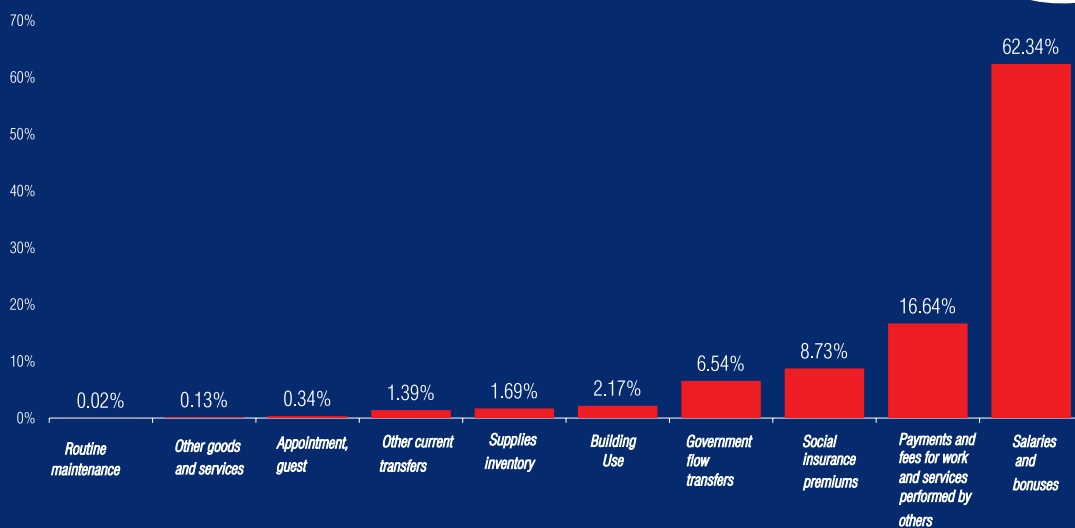
- 63% from the state budget, and
- 37% from the revenues from FRC's regulatory service fees.

Income of regulatory services amounted to MNT2.1 billion, consisting of:

- MNT1.1 billion (51.9%) from NBFIs;
- MNT652.0 million (31.7%) from the insurance market;
- MNT312.1 million (15.2%) from the securities market; and
- MNT26.2 million (1.3%) or from the SCC sector.

In addition, stamp duty of MNT40.4 million and fines of MNT352.2 million were collected for the state budget.

Figure 13. Total cost (%)



# ACHIEVEMENTS

Mongolia was removed from the 'Grey List' of countries with strategic deficiencies in AML/CFT.

The first crowd-fund was organised.

As many as 88.4% of NBF's clients were provided with opportunities to receive technology-based loan services.

Preparations for transition to an integrated management system were completed

Exchange of official letters based on digital signature initiated.


Commission's meetings were held virtually. .

The FRC transitioned to an electronic license system

# 2020





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