

REGULATION ON VIRTUAL ASSET SERVICE PROVIDER REGISTRATION

ONE. GENERAL PROVISIONS

- 1.1. This regulation aims to regulate the registration and rejection of applicants (hereinafter referred to as '*applicants*') as virtual asset service providers by the Financial Regulatory Commission (hereinafter referred to as the '*FRC*').
- 1.2. Applicants shall be registered according to the government's policy on financial market development, protection of legitimate interests of customers, and principles of operational transparency, fairness, and continuity.

TWO. REQUIREMENTS FOR APPLICANTS

- 2.1 The applicant shall meet the following conditions and requirements:
 - 2.1.1 Stipulations in Article 7 of the *Law on Virtual Asset Service Providers*;
 - 2.1.2 Organizational structure, and human resources stipulated under this regulation;
 - 2.1.3 Applicants to provide services stipulated in Sections 6.1.1-6.1.5 of the *Law on Virtual Asset Service Providers*, shall have shares of capital not less than MNT400.0 million;
 - 2.1.4 The related person stipulated in Section 4.1.4 of the *Law on Virtual Asset Service Providers* (hereinafter referred to as the '*related person*') and the authorized official stipulated in Paragraph 7.2 of the same law shall be a suitable person as determined by the FRC;
- 2.2 If an applicant is engaged in several activities stipulated in Section 2.1.3 of this regulation, the minimum share capital requirements shall be increased for each activity.
- 2.3 Share capital consists of monetary assets except for source of loans.

THREE. REQUIREMENTS FOR STRUCTURE, ORGANIZATION, AND HUMAN RESOURCES

- 3.1 The applicant shall have a Board of Directors with five or more members, of whom at least two shall be independent members.
- 3.2 The Board of Directors stipulated in Paragraph 3.1 of the regulation shall approve the following rules, procedures, and policies
 - 3.2.1 Rules of procedures of the Board of Directors;
 - 3.2.2 Four-year business plan for activities;
 - 3.2.3 Implementation plan and internal audit system to reduce and manage risks related to money laundering and the funding of terrorism, in place to comply with the requirements set in the Law on Combating Money Laundering and Terrorism Financing;
 - 3.2.4 Information transparency and reporting procedures;
 - 3.2.5 Procedures for ensuring information technology security in accordance with the requirements of ISO/IEC 27001 and the *Law on Cyber Security*;
 - 3.2.6 Procedure to prevent illegal use of internal regulation;
 - 3.2.7 Procedures for monitoring trades/transactions to prevent abuses;

- 3.2.8 Comprehensive action plan for use during an emergency such as suspension (restriction, termination, and liquidation) of activities, cyber-attack, cybercrime, and aggression;
 - 3.2.9 Standard Operating procedures concerning the services stipulated in Sections 6.1.1-6.1.5 of the *Law on Virtual Assets Service Providers*;
 - 3.2.10 Operating procedures regulating the trading and debiting activities of virtual assets on its software program
 - 3.2.11 Other required procedures.
- 3.3. Regulations related to trading virtual assets or excluding virtual assets from trade on its own software were reflected in the related Regulation on providing services stipulated in Sections 6.1.1 and 6.1.2 of the Law on Virtual Assets Service Providers.
- 3.4 Regulations related to the provision of services specified in Section 6.1.5 of the *Law on Virtual Assets Service Providers* include the following:
- 3.4.1 requirements of a virtual asset issuer's offer to the public, the virtual asset, and its presentation;
 - 3.4.2 obligations of the public virtual asset issuer, content, and timeline of information provided to virtual asset service providers;
 - 3.4.3 conditions to deregister virtual assets offered to the public;
 - 3.4.4 others.
- 3.5 An applicant shall have the following operational structures and specialized human resources to conduct.
- 3.5.1 internal audit unit, or an officer in charge;
 - 3.5.2 information technology unit, or an officer in charge;
 - 3.5.3 customer service unit, or an officer in charge;
- 3.5.4 To have a unit or staff of the Law on implementation of monitoring Anti-Money Laundering and Combatting the Financing of Terrorism and Corporate Complaints and board of directors shall be a responsible for overseeing.
- 3.5.5 An applicant requesting services stipulated in Sections 6.1.1-6.1.5 of the *Law on Virtual Asset Service Providers*, shall have a unit to offer and trade virtual assets to the public, or an officer in charge.
- 3.6 An employee specified in Paragraph 3.5 of this regulation shall meet the requirements in Sections 7.2.2 and 7.2.3 of the *Law on Virtual Assets Service Providers*, and shall not engage in duplicate employment unless otherwise provided by law.
- 3.7. Functions of a unit or employee specified in Section 3.5.1-3.5.3 of this regulation may be performed by other professional organizations (based on contracts).

FOUR. SOFTWARE REQUIREMENTS

- 4.1 The applicant shall have the software to provide prompt, continuous, and operational specific virtual asset services, and the following software requirements shall apply:
- 4.1.1 Virtual asset traders shall not be able to identify each other;
 - 4.1.2 Confidentiality of the customers' personal information (from third parties);
 - 4.1.3 Able to update and develop as the market demands;
 - 4.1.4 Have an open board for public information;
 - 4.1.5 Have an exchange monitoring system;
 - 4.1.6 Officially licensed providing for a secure system:

4.2 The applicant shall meet the latest version of the information technology standards specified in Annex 3 of this regulation, and have it certified by an authorized organization

4.3 If the applicant uses software, cloud technology or a data center of a foreign virtual asset service provider (or other information technology entity), item 11 of Annex 3 of this regulation shall not apply and relevant documents shall be submitted to the FRC together with the request to register.

FIVE. REGISTRATION AND REJECTION

5.1 The applicant must submit to the FRC the documents stipulated in Annex 4 of this regulation, along with evidence in hard copy and electronically.

5.2 The FRC shall review and resolve the documents submitted by the Applicant within the period stated in the *Law on Virtual Asset Service Providers*.

5.3 If documents submitted for registration are incomplete, the supporting documents are insufficient, or do not meet the requirements, the applicant may be notified in writing and additional documents can be requested.

5.4 The period specified in Paragraph 5.2 of this regulation shall be counted from the date of submission of eligible and complete documents.

5.5 If necessary, the FRC may require clarifications, references, and inquiries on the documents submitted by the applicant.

5.6 Relevant officials from the FRC may visit and inspect the workplace for the activities, equipment, and software of the applicant, to ensure the requirements outlined in this regulation.

5.7 If the applicant is registered by the FRC as a virtual asset service provider, the applicant shall be registered in the Virtual Asset Service Providers' Integrated System (нэгдсэн систем), and a personal file shall be opened according to the relevant instruction.

5.8 If the applicant is registered as a Virtual Asset Service Provider, the relevant entries in the company's charter and the state registration certificate must be made, and copies of the documents must be submitted to the FRC within 15 business days from the date of the decision specified in Paragraph 5.2 of this regulation.

5.9 The FRC may reject the application for virtual asset service provider based on the following grounds:

5.9.1 Documents submitted for registration are forged information;

5.9.2 The authorized official or the relevant body does not meet the criteria set by the FRC for suitable persons;

5.9.3 The conditions and requirements are not met in this regulation and *Law on Virtual Asset Service Provider*.

5.10 The application shall be rejected and the request shall be deemed not to have been submitted if a condition stipulated in Paragraph 10.5 of the *Law on Virtual Asset Service Providers*, is raised.

5.11 If the FRC refuses to register a virtual asset service provider, the FRC shall notify the applicant in writing with reasonable grounds.

Annex 1 to the *Regulation on registering Virtual Asset Service Providers* approved under the resolution No.....by the Financial Regulatory Commission, dated

APPLICATION FORM TO REGISTER VIRTUAL ASSET SERVICE PROVIDERS

Date of application	Year		Month		Day	
Legal name of applicant	Mongolian					
	English (Write the legal name in Latin script)					
State registration No.						
Registration No.						
Part 1. Please select types of activity.						
<ul style="list-style-type: none"> <input type="radio"/> Exchange between virtual assets and fiat currencies <input type="radio"/> Exchange between one or more forms of virtual assets <input type="radio"/> Transfer of virtual assets <input type="radio"/> Safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and <input type="radio"/> Participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset. 						
Part 2. Applicant's information						
What are your fields of operations or activities?						
Date of establishment	Year		Month		Day	
A type of legal entity	<ul style="list-style-type: none"> <input type="radio"/> Joint-stock company <input type="radio"/> Limited liability company 					
A type of investment	<ul style="list-style-type: none"> <input type="radio"/> National invested <input type="radio"/> Foreign-invested 					
Location/address	Province/city					
	Soum/district					
	Sub-district					
	Street/building					
	Suite No					
	Contact tel:					
Email						
Website						
Management and human resources information:						
Total number of full-time direct-hire employees						
Position	Full name	Citizenship	Registration No (passport/national ID)	Tel:	Profession	Diploma ID number

			number)			
Chairman of Board of directors						
Board members						
Executive director						
Accountant						

Others						
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Share capital information:

Contributed amount of shares					
Shareholders' full name/legal name	Number of shares	Type of shares (preference or common?)		Contributed amount of assets	Percentage in shares
		° PS	° CS		
		° PS	° CS		
		° PS	° CS		
		° PS	° CS		
		° PS	° CS		
		° PS	° CS		

Note: The following information must be completed by each shareholder.

Information on equipment and software

Name and type of equipment	Specifications	Purchased (date)	Rent	Number of units	Price
Name and type of software	Purpose	Purchased (date)	Rent	Number of units	Price

Part 3. Shareholders' information

Select a type of shareholder	<input type="radio"/> Legal entity	<input type="radio"/> Individual
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1. Complete the information accurately, if shareholder is a legal entity.

Legal name of the entity						
State registration number						
Registration No						
Date of establishment	Year		Month		Day	
Type of legal entity	<input type="radio"/> Joint-stock company <input type="radio"/> Limited liability company					
Type of business operations/activities						
Location/address	Province/city					
	Soum/district					
	Sub-district					
	Street/building					
	Suite No					
	Contact tel:					
email address						
web address						
2. Complete the information accurately, if a shareholder is an individual.						
Last name						
First name						
Registration number (national ID/passport number)						
Official address						
Current job and position						
Work address						
Profession						
Email address						

The information and evidence submitted for registration must be complete and accurate, and we will accept all responsible if there are any inaccuracies in the documents submitted.

Please review the application and related documents and register as a Virtual Asset Service Provider.

In our operations, we will comply with the *Law on Combating Money Laundering and the Financing of Terrorism*, the *Law on Virtual Asset Providers*, and other relevant laws and regulations, and fully comply with the requirements of the FRC.

Authorized person to apply (select the appropriate one and mark with '√'):

- Executive management
- Founder and shareholder
- Other persons authorized by power of attorney

Last name, First name: _____

Identification number: _____

Position: _____

Phone number: _____

Name of on applicant:

Name of an applicant:

/...../
...../

(Authorized personnel)

/...(what is this signature
attesting to? Completeness
and accuracy of
information? Future
Compliance with regulatory
requirements? There should
be an attestation that is being
signed that is relevant to the
application).....
...../

(signature)

...../...../.....
.....

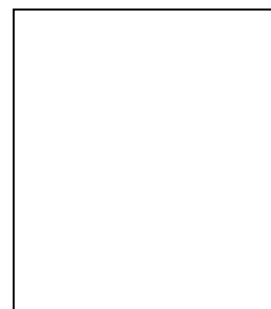
(date)

Annex 2 to the *Regulation on registering Virtual Asset Service Providers* approved under the resolution No.....by the Financial Regulatory Commission, dated

APPLICATION FORM FOR AN AUTHORIZED PERSONNEL AND OTHER EMPLOYEES

1. General background

Family name:	
Surname:	
Identification number:	
Nationality:	
Applicant's position:	
Address:	
Phone number:	
Email:	



2. Education (Please include secondary education)

№	Name of school	Profession	Date of enrollment	Date of graduation	Diploma/ certificate #

3. Work experience (for previous ten years?)

№	Name of employer	Job title	Starting date	Leaving date	Reasons for leaving

4. Status of Chairman of the Board of Directors, Board members, executive management and other personnel:

№	Your relationship	Full name (name of legal entity)	Registration No	Employment and position

Information of affiliated person stated in Paragraph 89.2 of the *Company Law*.

Applicant's name:

/...../

(full name)

/.....Same comment as in the signature line above.....

(signature)

...../...../.....

(date)

Annex 3 to the *Regulation on registering Virtual Asset Service Providers* approved under the resolution No.....by the Financial Regulatory Commission, dated

LIST OF INFORMATION AND TECHNOLOGY STANDARDS TO BE COMPLIED WITH IN THE OPERATIONS OF VIRTUAL ASSET SERVICE PROVIDERS'

№	Name of Standard	
1.	MNS 5969	Information technology - security methods - information security risk management.
2.	MNS 25030	Software development - software products quality requirements and evaluation (Square) - quality requirements.
3.	MNS 6197	Information technology - technology network security-guidelines for implementing cryptography.
4.	MNS 6242 - 2	Information technology - security method - information technology network security- Part 2: Network security architecture.
5.	MNS ISO 12207	Software development activity cycles.
6.	MNS ISO 10011- 1	System quality inspection guidelines.
7.	MNS ISO/IEC 27001	Information technology - security methods - information security management system – requirements.
8.	MNS ISO/IEC 13335-1	Information technology - security methodology, strategy - information and communication technology management - Part 1: Basic concept and models of information communication technology and security
9.	IEEE 829	Software testing and documentation standard
10.	MNS 6498	Security requirements for communication equipment
11.	MNS 6528	Data center telecommunication infrastructure

Annex 4 to the *Regulation on registering Virtual Asset Service Providers* approved under the resolution No.....by the Financial Regulatory Commission, dated

DOCUMENTS FOR REGISTERING VIRTUAL ASSET SERVICE PROVIDERS

No	Name of document	# of pages
1.	Application form - Annex 1 to the <i>Regulation on Registering Virtual Asset Service Providers</i>	
2.	Original copy or notarized copy of a state registration certificate and company bylaws settlement of the shareholders meeting (to provide virtual asset services).	
3.	Information and introduction of software and technology to provide virtual asset services ensuring uninterrupted and reliable operation, security and confidentiality.	
4.	Four-year business plan of the activity.	
5.	Application form for company's internal structure, organization, and specialized personnel (Annex 2 to the <i>Regulation on Registering Virtual Asset Service Providers</i>), and other relevant documents.	
6.	Documents and statements proving the legitimacy of the applicant's source/s of income in the share capital.	
7.	Agreement signed with a bank, and information for the account, specifically opened for serving the customer's monetary assets, separate from the company's account.	
8.	Audited certified financial reports and reviews from the last three years (if a legal entity has been operational prior to submitting the request to the FRC) and balance sheet (if newly established).	
9.	Plan or presentation on the structure and automatic control system to implement the requirements specified in the <i>Law on Anti Money Laundering and Combatting the Financing of Terrorism</i> and the <i>Law on Combating Proliferation of weapons of mass destruction and terrorism</i> .	
10.	Money laundering and terrorism financing risk assessment, in relation to the applicant's products, services, and technology.	
11.	Money laundering and terrorism financing risk reduction and management action plan.	
12.	Internal control program to combat money laundering and the financing of terrorism.	
13.	Reference from the General Department of Taxation confirming the requirements set out in Sections 7.1.11, 7.1.12, and 7.1.13 of the <i>Law on Virtual Asset Service Providers</i> .	
14.	Proof of payment for state stamp duty and regulatory service fee set by the FRC .	

15.	Application form for an authorized personnel and other employees (Annex 2 to the <i>Regulation on registering Virtual Asset Service Providers</i>) and evidence of eligibility for a suitable person.	
16.	Procedures and plans stipulated in Paragraph 3.2 of the <i>Regulation on registering Virtual Asset Service Providers</i> .	
17.	Types of customer services, fee rates, and draft customer agreements.	
18.	Evidence that the business entity with foreign investment does not have any overdue debts under the loan or guarantee agreement to which it belongs to other countries.	
19.	Documents proving that there are no outstanding customs and tax debts in their country of origin (and every country where the applicant has operated during the last ten years) if applicant is a foreign-invested entity.	
20.	Documents proving that there are no criminal charges or records in their country of origin (and every country where the applicant has operated during the last ten years) if applicant is a foreign-invested entity.	
21.	Documents proving non-involvement in money laundering and financing of terrorism activities, if an applicant is a foreign-invested entity.	
22.	Job descriptions, and real estate certificate (if applicant owns the property), or a notarized copy of a lease agreement (if on lease).	