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المالية
والصرفية
والتأمين
البحرينية

ANNUAL REPORT

2022

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ABBREVIATIONS AND ACRONYMS

AML/CFT	Anti–money laundering and combating the financing of terrorism
BoD	Board of Director
DPMS	Dealers in precious metal and stones
EMMoU	Enhanced Multilateral Memorandum of Understanding
FATF	Financial Action Task Force
FRC	Financial Regulatory Commission (of Mongolia)
IAIS	International Association of Insurance Supervisors
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
JSC	Joint stock company
LLC	Limited liability company
MACE	Mongolian Agricultural Commodity Exchange
MMoU	Multilateral Memorandum of Understanding

ABBREVIATIONS AND ACRONYMS

MNT	Mongolian tugrik
MONICPA	Mongolian Institute of Certified Public Accountants
MoU	Memorandum of understanding
MSE	Mongolian Stock Exchange
NBFI	Non-bank financial institution
NGO	Non-governmental organization
REB	Real estate broker
SC	Securities company
SCC	Savings and credit cooperative
SME	Small and medium enterprise
VASP	Virtual Assets Service Providers

FOREWORD



This 2022 Annual Report of the Financial Regulatory Commission (FRC) is presented for your information.

The year 2022 was a hectic one, with the launch of economic recovery after the pandemic, struggles with price rises and inflation, and tense geopolitical issues. Even though global financial markets faced many challenges, 2022 was a year full of growth and innovation for the financial market of Mongolia in general, and the FRC in particular. Pursuant to Parliament's approval of the Law on Amendments to the Banking Law, banking reform was implemented successfully, and accordingly, systemically important banks (including the State Bank, and

Golomt Bank) issued IPOs and raised MNT144.2 billion.

Pursuant to Parliament's approval of the 'Mainstream for the public trading of shares of state-owned legal entities in 2022–2023 through the exchange', the Mongolian Stock Exchange (MSE) launched the privatization of state-owned companies. Trading order in the primary market was closed with a 485.6% higher completion; a new record in the 30-year history of the Mongolian capital market. With the creation of a regulatory environment for the over-the-counter (OTC) market, a total of MNT1.0 trillion was raised. In 2022, new types of financial products were traded successfully, and major changes and reforms in the legal and regulatory environment were completed. The amendments to the Law on Insurance enabled insurers to issue guarantees, allowing them to become guarantors of programs and projects (including housing projects) and SMEs. In addition, after 20 years, revision of the Law on Non-bank Financial Institutions is being discussed in Parliament, to provide for alignment with technological changes.

Mongolia became the first non-member of FATF, to obtain an improved evaluation in Recommendation 15, and the FRC presented its good practices to members of Asia-Pacific Anti-Money Laundering Group. The FRC aligned its regulation with international practices, created a regulatory environment for virtual asset service providers (VASPs), registered VASPs, and tested new products in the Sandbox. The FRC continues to seek opportunities to access to new financial sub-sectors; by using technological solutions, along with the developed countries.

FOREWORD

As a result of the above regulations, market capitalization of the FRC's regulated sectors accounted for 23.2% of GDP. In the coming year, objectives include recovery of the post-pandemic economy, and ensuring more environment-friendly, smart, inclusive and sustainable growth.

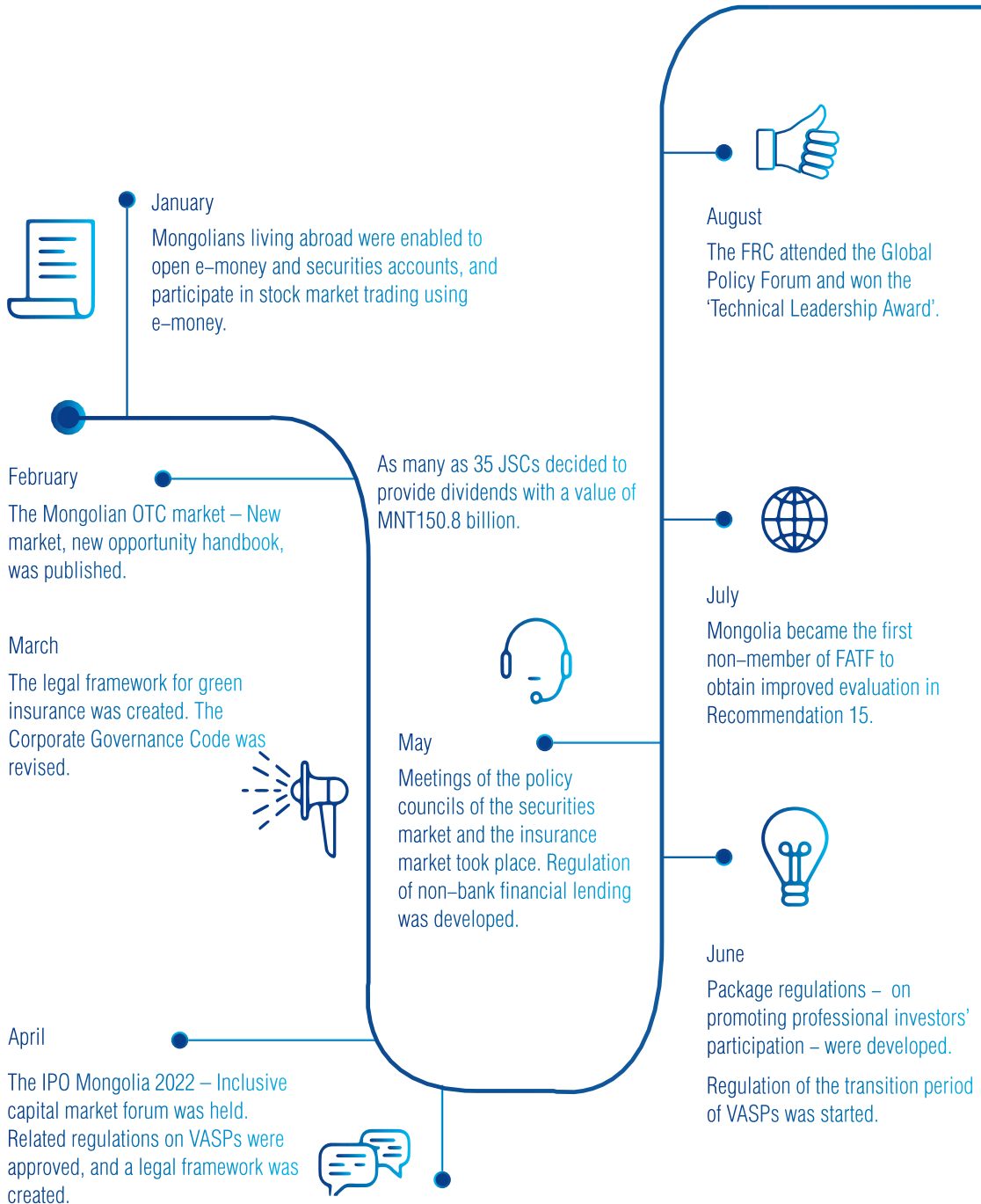
As Mongolia is a landlocked country between two giant neighbours, one way of diversifying the economy bears upon financial market participants. The FRC will focus on developing a multi-pillar, smart, and inclusive financial market; ensuring financial market sustainability, within a medium-term development policy.

Bayarsaikhan Dembereldash



Chairman

TIMELINE





September

VASPs were registered for the first time.

The FRC joined the 'Billion Tree' national campaign for two years.

The FTSE formally declared that Mongolia was added to the 'Watch List for Frontier Markets'.



October

The FRC attended the 47th IOSCO Annual Meeting, and signed the Multilateral Memorandum of Understanding for Supervisory Cooperation.

The FRC's strategic plan for 2022–2025 was approved.



November

The FRC attended the International Association of Insurance Supervisors (IAIS) Annual Conference.

The Law on Money Loans was approved, and the number of FRC's regulated sectors was increased.



December

The Amendment to the Law on Insurance enabled insurers to issue guarantees.

The FRC signed a memorandum of understanding (MoU) with the Umbrella Association of Real Estate Brokerage Institutions.

INTRODUCTION

The FRC was established in 2006, as its powers, functions and scope of activities were stipulated in the Law on the Legal Status of the FRC and Rules of the FRC; enacted by the Parliament of Mongolia, in 2005 and in 2006 respectively. 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.

7

Sector

3716

Regulated entity

2376

Insurance agent

VISION

To create a smart financial market, where the trust of investors and customers is ensured.

MISSION

To develop a diversified, inclusive, and digital, technology-based financial market.

VALUES

Code of Ethics



Professionalism



Independence & Transparency

162
Employees

Initiative



Accountability



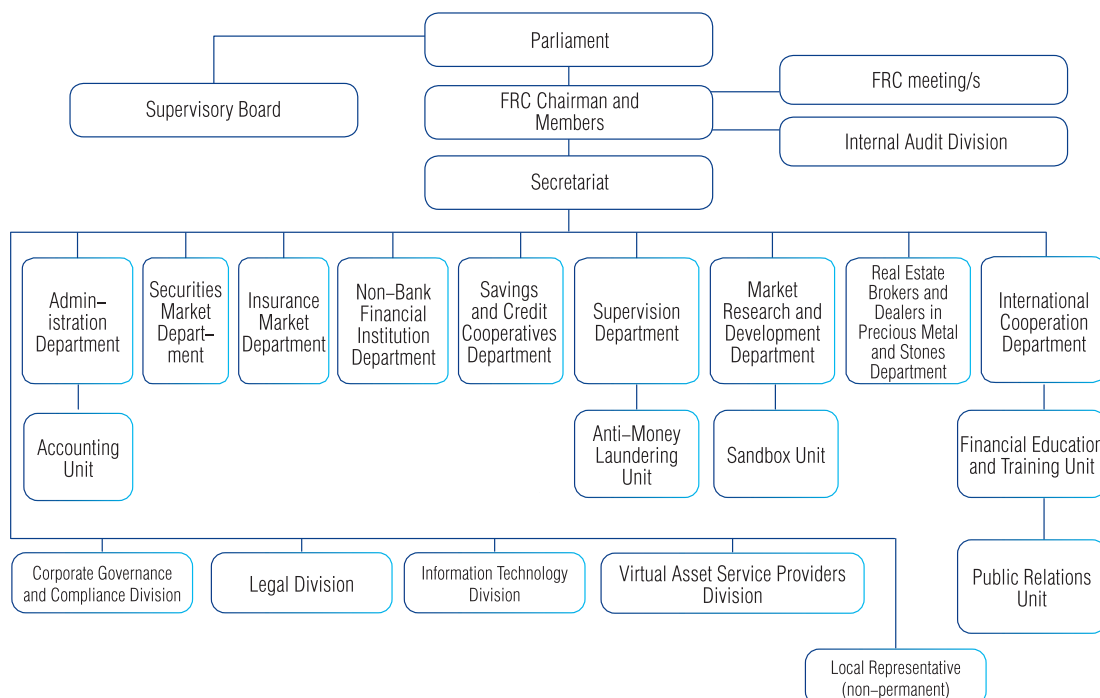
Teamwork



ORGANISATIONAL STRUCTURE

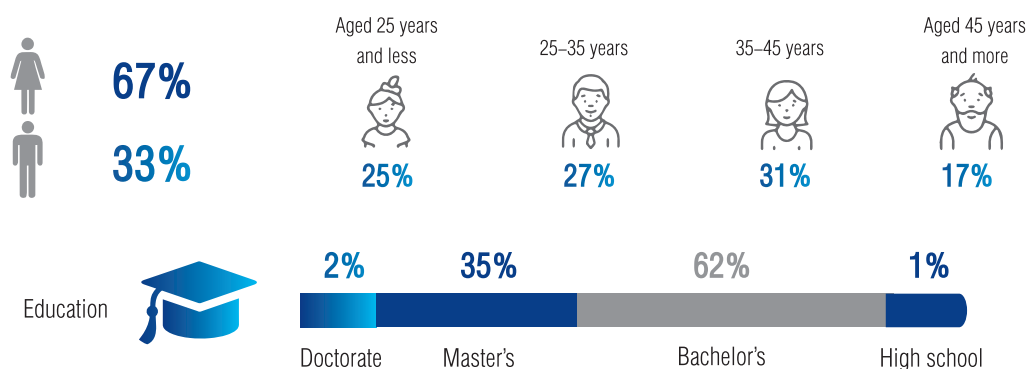
The organizational structure was approved by FRC's Resolution No. 78 of 2020, and accordingly the FRC operates with nine departments, five divisions, five units, and a total of 162 employees.

Figure 1. Organisational Structure



In 2022, there were 62 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



SUMMARY

2022 was the year when countries focused on decreasing COVID-19's impacts on their economies, and faced geopolitical issues and high inflation. Accordingly, global economic growth was 2.9%. Mongolia's GDP was MNT52.9 trillion in 2022; an increase of 4.8% over the previous year. Total revenue of the state budget was MNT17.2 trillion, total expenditure was MNT18.1 trillion, and the balance was a deficit of MNT979.3 billion. The budget deficit was decreased by MNT1.9 trillion (66.5%). Mongolia traded with 160 countries, and the total of foreign trade was USD21.2 billion; of which exports were USA12.5 billion, and imports were USD8.7 billion. .

In 2022, 595 regulated entities operated in the securities market, and the number of account holders reached 2.4 million. The total of securities traded decreased by 2.4-fold to reach MNT594.9 billion. While market capitalization increased by 15.2% to MNT 6.9 trillion, the Mongolian Stock Exchange (MSE) TOP 20 Index, decreased by 6,846.1 points to 37,565.55.

MNT1.1 trillion worth of eight goods were traded in the Mongolian Agricultural Commodity Exchange (MACE); an increase of 39.8% compared to the previous year.

In the insurance market a total of 323 companies, intermediaries, brokers, loss adjusters, audit firms, actuaries, and auditors, along with 2,376 insurance agents, delivered products and services to customers. Total assets of the insurance market reached MNT474.9 billion, of which 45.7% (MNT216.9 billion) was for the reserve fund.

In 2021, the non-life and life insurance sector insured 3.9 million items with a total of MNT483.4 trillion in premiums (an increase of 23.6% from the previous year) and collected MNT300.7 billion. A total of MNT100.0 billion was spent on reinsurance premiums, an increase of 18.5% compared to the previous year. The total indemnity expenses of insurance companies reached MNT94.2 billion in 2022; an increase of 36.7%

compared to the previous year. It constituted 31.3% of total premiums.

During the fiscal year, 513 NBFIs operated in the non-bank sector; and the number of customers was 4.6 million; a decrease of 3.9% compared to the previous year. Of which, 94.2% were fintech customers. The number of borrowers decreased by 29.2% to 1.7 million, of which 78.8% were fintech borrowers. Total assets reached MNT3.5 trillion – an increase of 30.2% from the previous year – of which MNT2.7 trillion was outstanding loans, and 88.2% were loans to individuals and 11.8% loans to legal entities.

The number of SCCs decreased by 13 to 196, and the number of members decreased 5% to 71,657. The total assets of SCCs decreased by 8.1% to MNT267.7 billion during the fiscal year.

In 2022, 305 real estate brokerage companies were operating under license, and a total of MNT1.7 trillion worth (1,971,500 m²) of real estate was bought and sold in 8,983 transactions. A total MNT102.1 billion worth (465,900 m²) of real estate was brokered for rent or lease in 7,700 transactions.

A total of 47 entities and 465 individuals were licensed as dealers in precious metal and stones (DPMS), in the sector where MNT670.8 billion was sold and MNT700.1 billion bought.

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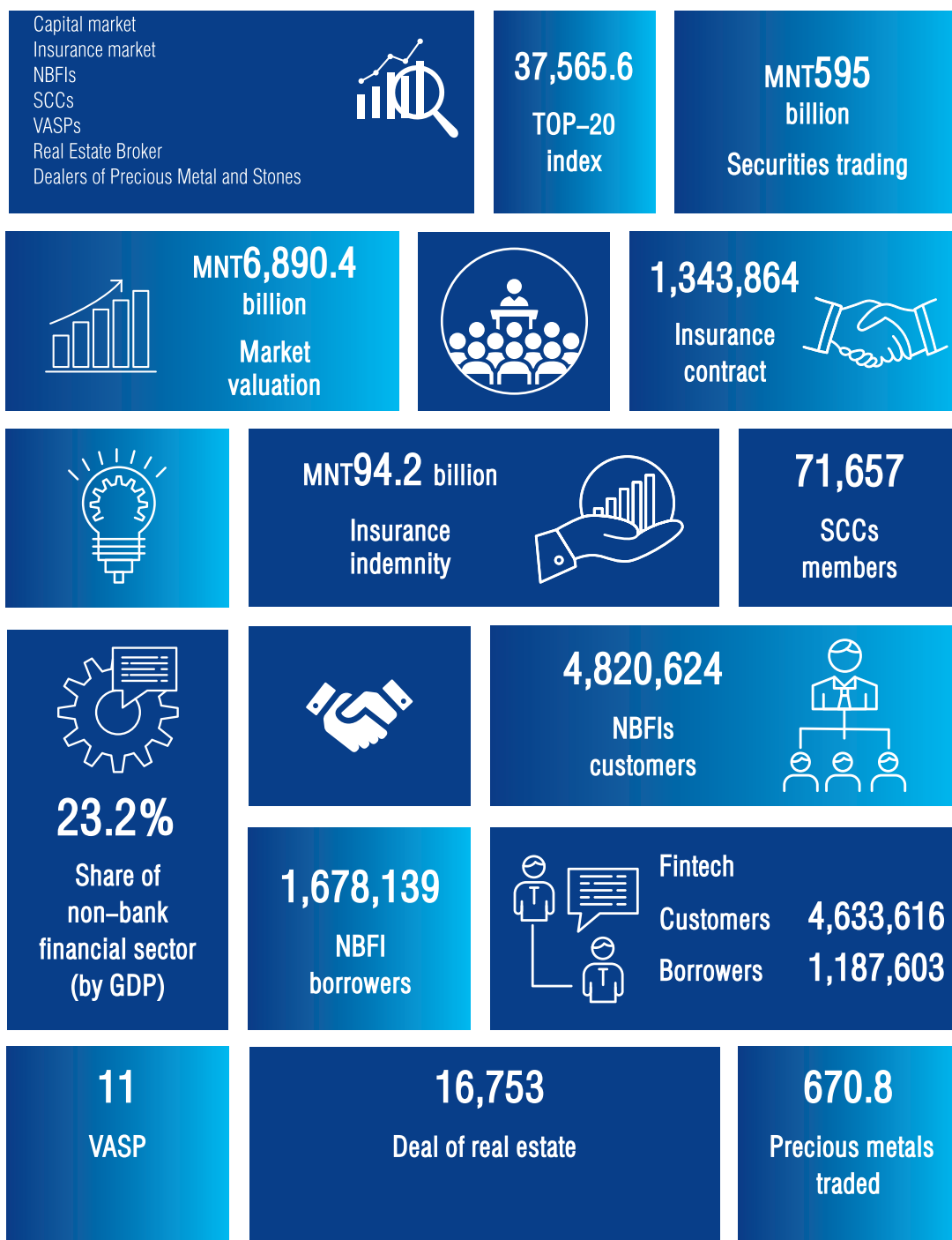
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@FRC_of_Mongolia



KEY INDICATORS

Figure 3. Key Indicators of the financial sector



GLOBAL MARKET

According to an IMF estimate, in 2022 the world economy increased by 2.7%; the lowest level since 2001. The economies of developed countries increased by 2.7%, and the economies of developing countries by 3.9%.

Due to high inflation, central banks increased their policy interest rates for the first time since 1994.

Geopolitical issues and the effects of the post-pandemic situation, increased inflation and worsened the financial condition. Due to COVID-19, the Chinese economy slowed down, which affected a decrease in prices of products.

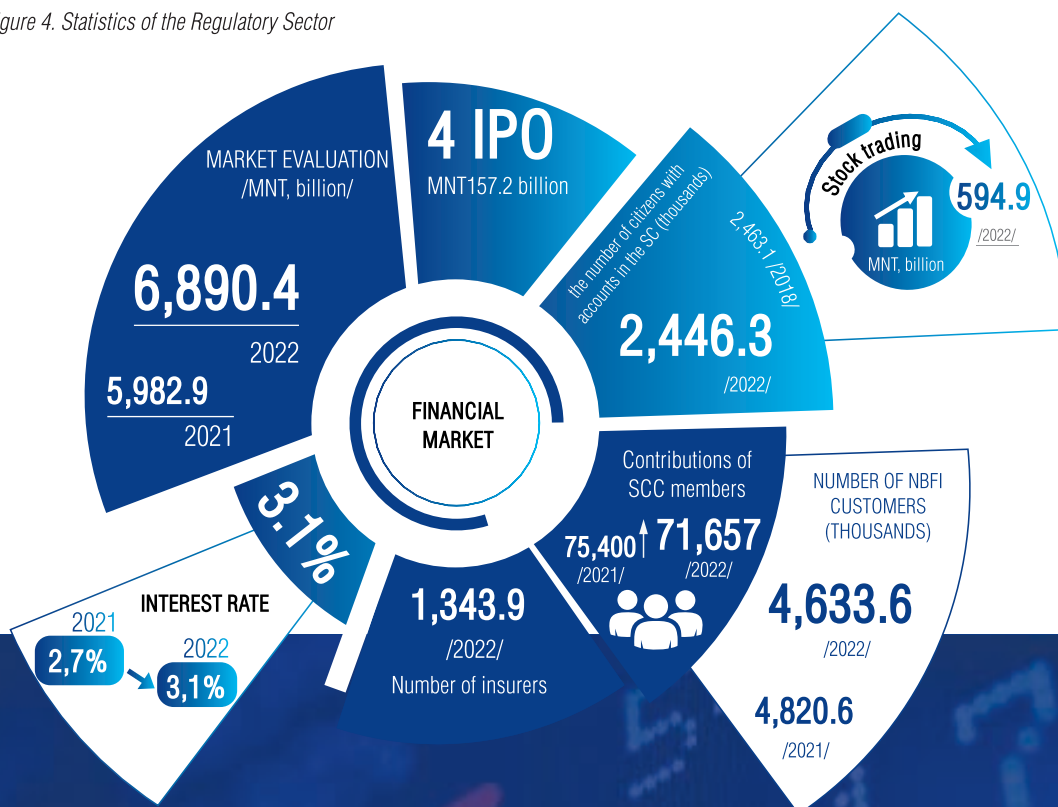
Changes in stock market indicators in 2021 – compared to the previous year – were as follows:

- MSCI index, down 24.1%;
- S&P 500, down 19.4%;
- NASDAQ, down 33.1%;
- Germany's DAX, down 21.5%;
- Japan's Nikkei, down 10.7%;
- France's CAC, down 13.4%;
- China's CSI, 300 down 1.2%.

Last two years, oil prices increased by 50%, natural gas by 48%, and copper by 25%. Food prices increased by 28.1%, and the average price index reached 133.7 percentage points; an increase of 23.1% compared to 2020.

CURRENT STATUS OF FINANCIAL MARKETS

Figure 4. Statistics of the Regulatory Sector



Capital market

- » JSCs: 318
- » SCs: 52
- » SECURITIES MARKET TRADING: MNT595 billion
- » Value of agricultural products: MNT1.1 trillion
- » Securities backed by MNT3.4 trillion from 67,103 borrowers

Insurance market

- » Total assets: MNT475 billion
- » Total fees: MNT300 billion
- » COMPENSATION: MNT94.2 billion
- » RESERVE FUND: MNT217 billion
- » DEPTH: 0.63%
- » DENSITY: MNT87,816

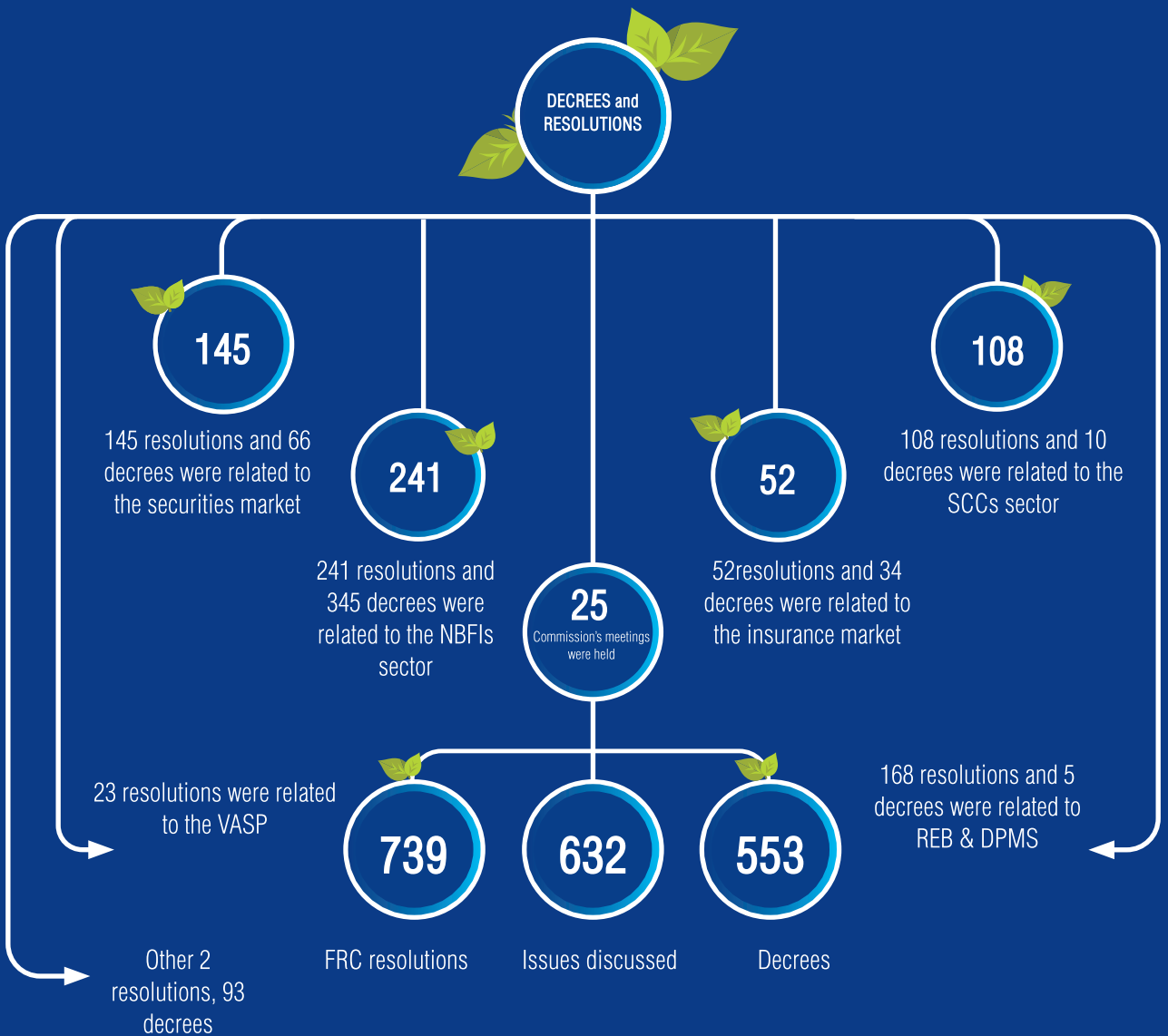
NBFIs sector

- » NBFIs: 513
- » Total assets: MNT3.5 trillion
- » Total loans: MNT2.7 trillion
- » Annual weighted average interest rate: 3.1%
- » Borrowers: 1.7 million
- » Non-performing loan: 7.6%

SCCs sector

- » SCCs: 196
- » Total assets: MNT268 billion
- » Total loans: MNT210 billion
- » Total savings: MNT187.5 billion
- » Annual weighted average interest rate: 2.3%, Annual weighted average savings interest rate: 1.2%
- » Depositors: 38,500
- » Borrowers: 32,400

POLICY AND LEGISLATION



POLICY AND LEGISLATION

Regulatory environment: Ensured the implementation of 27 laws, 119 rules, and other regulations and guidelines related to financial market activities. Among these, the rules and regulations related to: securities market (55); insurance market (25); NBFIs sector (16); SCC sector (six); real estate brokerage and dealing in precious metals (six); VASPs (eight) and others within the framework of regulation (three).

Policy implementation: A total of 257 tasks – within the framework of the FRC's Secretariat – were undertaken, and the Commission's performance of the 2022 plan reached a level of 93.0 (equivalent to 'Certain results were achieved').

The FRC ensured the performance of provisions of nine policy documents approved by Parliament, and two approved by the Financial Stability Council, relating to the financial market's activities.

Table 1. Implementation of Resolutions

No	Decision of the supreme authority	Measures Implemented	Performance (%)
1	Vision– 2050	41	96%
2	Five–year development direction of Mongolia in 2021–2025	10	99%
3	The main directions for improving the legislation of Mongolia until 2024	8	–
4	Action plan of the Government of Mongolia; 2020–2024	12	98%
5	The main direction of the government's monetary policy	6	–
6	A work plan for the implementation of the interest rate reduction strategy	14	97.2%
7	New Revival Policy	4	92%
8	Plan of the money and capital market development	10	94.3%
9	Resolution No. 32 of the Parliament of Mongolia in 2020 (Ensuring financial and economic stability, risk prevention and digital transition of public services during the outbreak of COVID–19)	6	100.0%
10	Program to improve financial inclusive in Mongolia	69	83.8%
11	National Anti–Corruption Program	21	100%
	Total	201	–



POLICY AND LEGISLATION

Within the framework of conforming to the General Administrative Law a total of twelve administrative normative acts – approved by the FRC in 2022 – were registered in the state unified database of administrative normative acts; in accordance with the General Administrative Law..

Table 2. Administrative Norms and Regulation Registered 2022

No	Resolution, order name and number	Registered; MJHA	Title
1	FRC Resolution No.145 of 2021.04.14	5783	Corporate Governance Code
2	FRC Resolution No.160 of 2021.04.14	5807	Procedures for non-bank financial loans
3	FRC Resolution No.174 of 2021.04.14	5809	Registration Procedures for VASPs
4	FRC Resolution No.175 of 2021.04.14	5810	Operating Procedures of VASPs
5	FRC Resolution No.176 of 2021.04.14	5811	Procedures for establishing conditions and requirements for registration and registration of legal entities to audit financial statements of VASPs
6	FRC Resolution No.177 of 2021.04.14	5812	Procedure for Establishing Requirements for Professional Associations of VASPs
7	FRC Resolution No.305 of 2021.04.14	5847	Procedures for remote and on-site inspections of VASPs
8	FRC Resolution No.306 of 2021.04.14	5848	Procedures for restricting, suspending and deregistering the activities of VASPs
9	FRC Resolution No.275 of 2021.04.14	5850	Procedures for issuing special licenses for the establishment and operation of investment funds and their supervision
10	FRC Resolution No.276 of 2021.04.14	5851	Procedures for special permits for investment management activities
11	FRC Resolution No.360 of 2021.04.14	5886	Procedures for Issuance, Registration and Licensing of Asset-Backed Securities
12	FRC Resolution No.520 of 2021.04.14	5980	Procedures for enforcing and monitoring the criteria specified in the law related to the ownership of shares of state-owned and local open joint-stock companies



POLICY AND LEGISLATION

CAPITAL MARKET

Developed a secondary market for asset-backed securities

There was a need to revise the 'Regulation on issuing, registering and licensing of asset backed securities' (2011) and to create a primary and secondary market; to offer asset backed securities to the public. Also, to create a regulative environment to register to trading entities and intensify the secondary market; due to national conditions, and changes in the international market of securities. In this framework, the 'Regulation on issuing, registering and licensing of asset backed securities' was revised and approved according to international standards and market conditions.



Banking reform successfully implemented

Parliament approved the Law on Amendments to the Banking Law on 29 January 2021. Under the Law's provisions, significant ("influential") operators in the banking system must become open joint stock companies by 30 June, 2022. Moreover, such banks are not to exceed one share concentration of the owner's shares from 20%—due to the obligation to implement within 31 December 2023, systemically influential 2 banks successfully traded shares in the market to the public and assessment has been increased by MNT1.5 trillion.

Within the policy of strengthening the base of institutional investors

On 25 May 2022, the FRC revised and approved the 'Regulation for Establishing, Licensing and Supervising Investment Funds', and the 'Regulation for Licensing Investment Management' to increase the participation of international institutional investors in the national market.

Approval of the above regulations provided for simplification of the requirements and conditions for establishing private investment funds. It also improves regulation in establishing mutual investment funds, presentation of unit trusts to the public, fund trading in the primary and secondary markets, requirements for investment activities and fund assets, and information transparency.

In addition, regulation of an exchange-traded fund was initiated, and regulations on organizing the exchange of fund unit trusts (by financial instruments in the primary and secondary markets) and requirements for authorized participants, were also covered.



POLICY AND LEGISLATION

Privatization of state-owned companies

'Mainstream for the public trading of shares of state-owned legal entities in 2022–2023 through the exchange' was approved by Parliament Resolution No16 I Annex on 29 April 2022. In connection with this the 'List of the state-owned legal entities for open sale of 34% shares and to be transferred to public control' was approved by the Cabinet on 29 July 2022. Accordingly, the MSE started privatization of state-owned companies. The MSE offered 34% of its shares to the public, and became an open joint-stock company.



Within the framework of strengthening the base of institutional investors

Within the framework of supporting the mutual investment funds (institutional investors specialized in certain sectors of the economy) and banking sector reforms (to increase investment opportunities in system banks) the 'Regulation on issuing a special license to establish, operate and supervise mutual investment fund' was revised and amended.

Within the framework of the Securities Market Policy Council

Positive changes in the tax legal environment of the capital market, and a decrease of settlement fees and charges in the securities trading, strengthened the base of institutional investors, and the market's position in the financial sector. Discussions on the topic of "Effects of policies and regulations in the capital market and tax legal environment" were held on 6 December 2022, within the framework of existing status of the stock market, policy measures Implemented by the FRC and "Strategy to reduce interest rates" approved by Parliament to create favorable tax environment for professional organizations, investors, market's professional organizations, fees and charges and capital market tax environment.

Within the framework of infrastructure development

In 2020, the principle of the T+2 settlement cycle was introduced, and the securities settlement mode meets international standards. FTSE Russell announced on 30 September 2021 Mongolia's possible reclassification from 'Unclassified' to 'Frontier' which was officially confirmed on 29 September 2022.

Within the framework of infrastructure development

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POLICY AND LEGISLATION

Reduce the cost of commercial transactions

- A fee of mutual fund registration per unit was 1.0% of all registered total, reduced by 50–75% and amounted 0.25–0.5% by establishing a limit depending on the size of the amount. And the annual service fee was reduced by 50%; from 0.1% to 0.05% of the fund's net assets
- A registration fee of share was amounted 0.1% of all registered total was reduced (by 20–40%, depending on the amount) to 0.06–0.08%. Also, the debt instrument register fee was reduced, from 0.1% to 0.064–0.1% of all securities tradin.
- Reflected a regulation on – no premiums for the sold side of unit shares of mutual funds asset on the primary market trading, and for the buyer side – to calculate premium fee depending on total deal to the to 'Regulation on Trading' of the MSE.



POLICY AND LEGISLATION

INSURANCE MARKET



Revised Insurance Package Law

A revised version of the Insurance Package Laws (which includes the Law on Insurance, Law on Insurance Intermediaries and the Law on Driver's Liability Insurance) was drafted. It was posted on websites of Ministry of Finance and FRC on 18 May 2022, to attract comments and opinions from the public and professional associations (according to the regulation). Joint discussion held in November 2022 (with the Ministry of Finance, professional associations, insurance companies and professional participants) lead to an exchange of ideas and challenges, and these were reflected to the revised version of Insurance Package Laws.

Risk-based asset calculation methodology

'Regulation on criteria of Insurer's solvency appropriateness and supervision', is a risk-based asset calculation methodology that was approved by the FRC Resolution No588 2022 to improve the risk management of insurance companies, implement in an optimal manner, to conform international standards of risk assessment methodology, to provide an opportunity to calculate the insurer's risk more realistically detailed and customized way, to define the investment risk, to increase its chances and spread risk.



Green Insurance regulation

Amendments to Annexes No 1, 2, 4, and 11 of the Insurance Package Regulations were approved by Resolution No 129, of 2022, to create a legal environment for Green Insurance products. According to this amendment, following regulations were reflected to the law; harmonizing the green insurance products with the Green Taxonomy of Mongolia, making clear the terms and conditions of the insurance contract, and increasing investment interest to the insurer's green bonds. By creating the model for green products, the reporting of unified data base of green products became possible.



POLICY AND LEGISLATION

The FRC was engaged in drafting the revision on 'Law on Insurance and Law on Purchase of Goods, Works and Services with State and Local Property', and the regulations of insurance guarantees and sureties by insurers, was reflected to the draft law. The insurance guarantee is a loan support to underperforming contractors, and is a form of insurance activity which supports activities of small and medium entrepreneurs.



On 25 May 2022 the Insurance Policy Council held a meeting and discussed the draft revision of Insurance Package Regulations, for improving insurance education and insurance tax. During the meeting, representatives agreed to hold meetings regularly, and discuss industry issues.



POLICY AND LEGISLATION

NBFIs SECTOR:



Within framework of legal environment reform

A revised version of the Law on Non-bank Financial Activities was submitted to Parliament on 20 April 2022. It was agreed – by the Parliament session of 19 May 2022 – to refer it to the Standing Committee on Economy. The Law on Non-bank Financial Activities of 2002, has been amended nine times, and all the amendments were followed by other laws. During the 20 years since adoption of the law, activities of industry participants have expanded and entered into capital market, by introducing new products and services to the market while increasing financial access, the needs to improve the legal environment arose.

Measures on increasing the minimum capital amount of NFBIs's shares, were undertaken to reduce financial solvency, operational, and service risks.

In 2022, out of 232 NFBIs which needed to increase share capital, 209 (90.0%) increased their share capital by MNT65.0 billion.

The Law on Regulation Activities of Money Loans was approved by Parliament on 4 November 2022, and legal entities engaged in money loan activities must be registered with the FRC. The Law includes detailed regulations on protection of consumer rights, prevention of high rates of interest, and set limits on interest rates. After approval of this law, even individuals engaged in money loaning activities must be registered with the FRC.

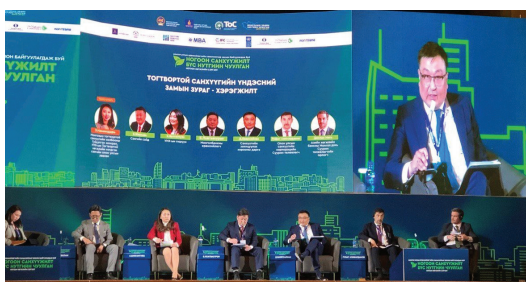
Regulation of NFBIs's credit activities was approved to protect borrowers rights; such as: establish reasonable fees and charges, calculation of interest rate by time, making loan products and services available to the public, no commissions on interest not included in the contract, and protection from illegal harassment or pressure.



POLICY AND LEGISLATION

Within the framework of sustainable and green financing

For the first time in the industry, a database of green credit indicators of product and gender indicators of financial access was formed, within eight categories of the Mongolian green taxonomy.



The exemplary instruction – for NFB's for developing management regulation on environment related risk management – was approved, to create a legal environment of stable financing.



Within the framework of advanced technology

The debt to income ratio for fintech loans was limited, to not exceed 70%. Setting a limit in the debt to income ratio on fintech credit for the first time was a highlighted for the FRC.



FRC introduced technology standard MNS207001:2021, and created an environment for technology-based credit services that meets data security requirements.

Requirements to meet MNS207001:2021 standards, information security and cybersecurity risk assessment, have been set in related regulations. It was an important policy measure for customers' information security.

POLICY AND LEGISLATION

SCCs SECTOR:

According to the proposal developed and submitted to the Asian Development Bank's Gender Equality in East Asia for Inclusive and Green Recovery intensification regional technical assistance project, implementation of Gender-sensitive green financing project in the SCC market in 2022–2024 was approved. In line with this, a national advisor for the project started working in September 2022. In preparation for the work of this project, a survey was conducted among household producers, and micro, small and medium business owners; who are members of SCC, and 18.0% or 9,151 members of all 144 cooperative members who surveyed are SME owners.



In the framework of preparation for introducing risk-based supervision in the SCC market, a draft version of 'Regulation on controlling and supervision of SCC' was developed, and methodology is testing on the FinA system.

A working group was set up on SCC loan guarantee inclusion in the service of the fund, a member of the cooperative micro, small and medium production and services the ability to guarantee loans to entrepreneurs to explore and identify potential solutions jointly with Credit Guarantee Fund and Mongolian National Association of Savings and Credit Cooperatives, and 10 SCC's tested to be evaluated.



POLICY AND LEGISLATION

REBs SECTOR:

- The 'Regulation on remote and on-site supervision of real estate brokers activity' was amended in line with the Law on Permission (which became into force on 1 January 2023).
- Testing in operation of unified portal on residential registration and information of Ministry of Construction and Urban Development and cooperating with on system voting and the development.
- Within the framework of digitization of government services, the FRC arranged digitalization of real estate agencies location records and began to use total 95 electronic official letter with QR codes.



DPMS:

- E-authorization training system for the traders was developed and introduced.
- The Mongolian Jewellery & Metal Expo-2022 and forum was organized – in cooperation with the United Association of DPMS (a non-governmental organization that serves its members) – during 15–17 April 2022 at the Misheel Expo International Trading Center. As part of this forum 'Recommendations to DPMS' was developed, and received comments and opinions from governmental organizations.
- Submitted proposals to draft a version of 'Regulation on extraction of minerals by micro-mining'. As a result, regulation was approved by Government Order No296 2022, and unified policy for DPMS was established.
- Discussion and examination on 'Small-scale gold mining supply chain' took place on 13–14 October 2022, in Darkhan-Uul and Erdenet provinces. This was in cooperation with representatives in Mongolia of the Planet Gold project and other related Government authorities.
- Provided information about regulation of activities on Mongolia Blacksmith 2022 exhibition organized under the auspices of the President of Mongolia, on 1 July 2022.
- Regarding special permits (to bring awareness to the public) participated in the, 'Traditional Mongolian handicrafts method' organized under the auspices of the President of Mongolia.



POLICY AND LEGISLATION

VASP

In the framework of creating a legal environment

Pursuant to Section 20.9.2 of the Law on Virtual Asset Service Providers, the FRC developed and approved eight regulations based on FATF standards and international best practices.

In the framework of supervision

According to the specifics of the VASP sector is preparing to use “Chainalysis” and a blockchain transaction monitoring program. This transaction monitoring software stores wallet information (of UN Security Council countries) on the sanctions list; so it can automatically monitor AML/CFT and other types of unnormal transactions. In addition, a control program (to monitor the sector’s transaction data at 07:00 every day, through an API connection) has been developed with internal resources, and a trial period is ongoing.

The ADB started a project to support the creation of E-KYC and the e-signature experience in Mongolia. According to this, technical assistance was agreed to implement the third output of the project; to improve the Strengthening Banking Sector Stability and Performance. The technical assistance includes the following activities:

1. Help to supervise VASPs;
2. Support to the establishment of E-KYC and e-signature practices;
3. Use of Regtek (regulatory technology/and Suptek/ supervision technology);
4. Sharing the experience of successfully implementing digital banking and fintech services in the domestic market.



Mongolia first carried out a national risk assessment for AML/CFT of VASPs in January 2021. However, the virtual asset sector has become active and the number of service providers increased. So there was a need to update risk assessment in the last half of 2021. According to the methodology developed by the WB, a working group to assess the risks of the virtual asset sector at the national level was established by the Financial Stability Council. The working group was headed by the FRC.

A total of 11 discussions were organized with 290 participants in connection with the improvement of the legal framework of VASPs.

Meetings and discussions involving representatives of the government and private sector were held regularly as part of the development of the national risk assessment of the VASP sector.

A guidebook was published and distributed, containing the Law on Virtual Asset Service Providers as followed in Mongolia and the regulations governing related operations.

As of 2022, the posted 23 press releases on AML/CFT crime, current news, and issues of concern, on the FRC’s website.



POLICY AND LEGISLATION

Sandbox regulatory environment

By type of requests and products and services submitted in the sandbox environment:

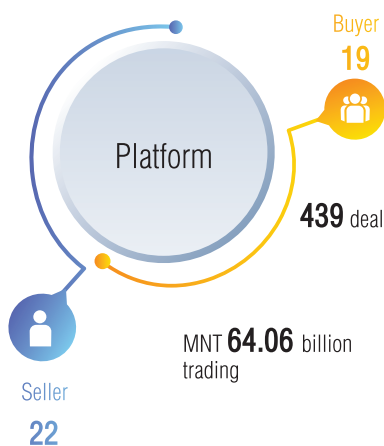


Products being tested in the sandbox

In the fourth quarter of 2022, four products were tested in the sandbox environment. Three products and services were added to the sandbox environment for a year, and one product was released from the sandbox.



A service to receive Repo transaction requests (on buying and selling) through the MoneyMarket web system. In 2022, Repo trades with a value of MNT 64.06 billion were made in 439 transactions.



Zeel.mn P2P service is a new product in the financial market in Mongolia. Based on artificial intelligence, blockchain, and P2P registers, it conducts credit scoring and connects investors and borrowers.



Laika is a technology-based insurance service, which offers customers a selection of insurance products without an intermediary, and assesses insurance risks by on the basis of a risk-based roadmap.



Finberry Services is a crowdfunding service based on a loans, incentives and donations, which enables small-medium entrepreneurs and enterprises to raise funds quickly.

Service released from a Sandbox environment:



Monpay digital bond was tested in the sandbox environment for a year (from 1 November 2021); and released on 30 December 2022, based on recommendation No 04 of the Sandbox Council.

POLICY AND LEGISLATION

In the framework of improving public financial education



Working in Dornod province, the NBFIs, securities and insurance companies subject to regulation were informed about the current status of the financial indicators of the branches, and subject to on-site supervision. At the same time, in the provincial center of Kherlen soum, the public was informed about the financial sector, and the functions of the FRC; and opinions were exchanged.

A total of 221 news articles, 14 interviews, and 15 news items for videos, were posted on websites, pages, Twitter, and LinkedIn. These were distributed through the media, within the framework of publicizing the FRC's activities and policy decisions, throughout the financial market.



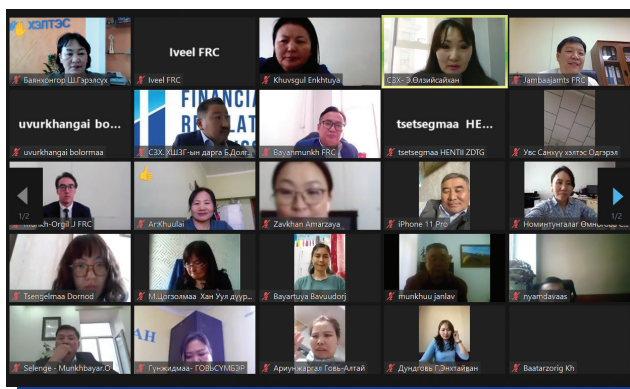
The BoM, the FRC, the Credit Guarantee Fund, and the SMEs Support Fund jointly organized financial education courses in nine districts, within the framework of the goal of improving the financial knowledge of micro, small and medium enterprises.



POLICY AND LEGISLATION

In the framework of improving the knowledge of financial market participants

To provide information to meet the specific professional requirements of experts responsible for the activities of regulated financial and non-financial business sectors, the FRC organized joint training with professional associations (in accordance with the Regulation of Training of the Financial Regulatory Commission).



In cooperation with professional associations, the FRC organized work on eligibility training, as well as developing knowledge and providing information on policy issues.

Table 3. Organized training in the regulatory sector

№	Type of training	2022	
		Frequency	Participant
1	Entitlement training	33	2162
2	Professional training	12	255
3	AML/CTF	20	1020
4	Other	73	2375
	Total	138	5812

A total of 45 joint trainings – related to 14 types of programs – were organized with 12 professional associations that signed an ‘Agreement of training to organize’. A total of 2,417 participants attended, and 1,388 met the requirements for working in the regulated sector.

In the sector of corporate governance and compliance, a presentation and training of the revised Code were organized. These were held for the Chairman (board of directors), secretariat, and chief executives of organizations registered in categories 1 and 2 of the MSE, including.

- 60 joint stock companies,
- 34 investment management companies,
- 17 insurance companies, and
- 52 NBFIs engaged in trust services

Also, in the framework of the specialization of the personnel who will audit the activities of VASPs, on-site and off-site combined qualification training was organized in collaboration with the Mongolian Institute of Certified Public Accountants. The FRC collaborated with presenting a series of related training in the sector.

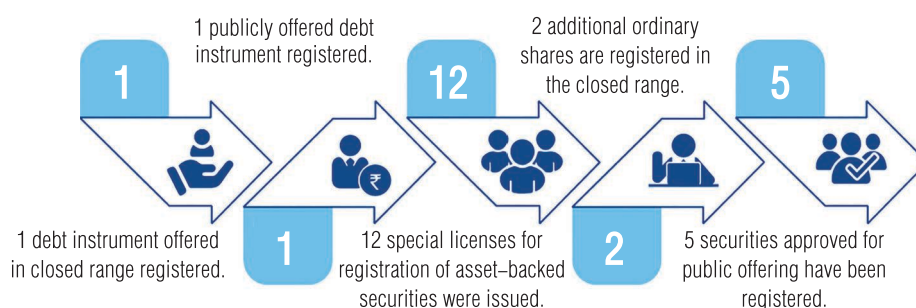
During 25–28 April 2022, within the framework the ‘TA 9654–MON: Expanding the Capacity of the Nonbank Finance Sector to Support Financial Access’ project implemented by the ADB, training was held in Darkhan–Uul and Orkhon provinces. Afterwards, interviews were conducted with the local television station, and handbooks were distributed to the public.

LICENSING AND REGISTRATION

Legal entities totaling 1,620 digitally submitted applications for special licenses, licenses, and registration requests to the FRC. Of these, 300 'unqualified' applications were reviewed and returned (with recommendations). Another 1,320 'qualified' applications were received and transferred to the relevant registration and approval process.

In the direction of the securities market

Registration of shares to be offered to the public, 5.	Authorization of the provision of transaction services to receive and spend money allowing customers through nominal accounts, 1.
Registration of additional common stock issued within a closed framework, 2.	Registration as a legal entity to provide legal advice to securities market participants, 3
Registration of common stock issued in a closed framework for the purpose of exchanging debt for stocks, 1.	Registration of securities market participants as a legal entity providing asset valuation services, 2.
Registration of publicly open-traded debt instruments, 1.	Registration of securities market participants as a legal entity providing audit services, 5.
Registration of closed debt instruments, 1.	Issuance of a special license to engage in brokerage activities in the securities market, 1.
Registration of stocks of a company registered with a foreign trading organization in the register of securities approved for public offering -;	Additional issuance of special license for underwriting activities, 1.
Registration of founding documents of Private Equity Fund, 8.	Amendments to securities registration, 4.
Related to mutual fund, 2.	Registration of securities approved for the public offering of additionally issued stocks, 1.
Special licensing of investment management company, 8.	Issuance of a special license for the activity of determining the rating of financial capacity, 1.
Issuance of additional special license to engage in investment advisory activities, 1.	
Issuance of an additional special license for securities dealer activities -;	
Change assigned name, 2.	
Registration of asset-backed securities, 12.	



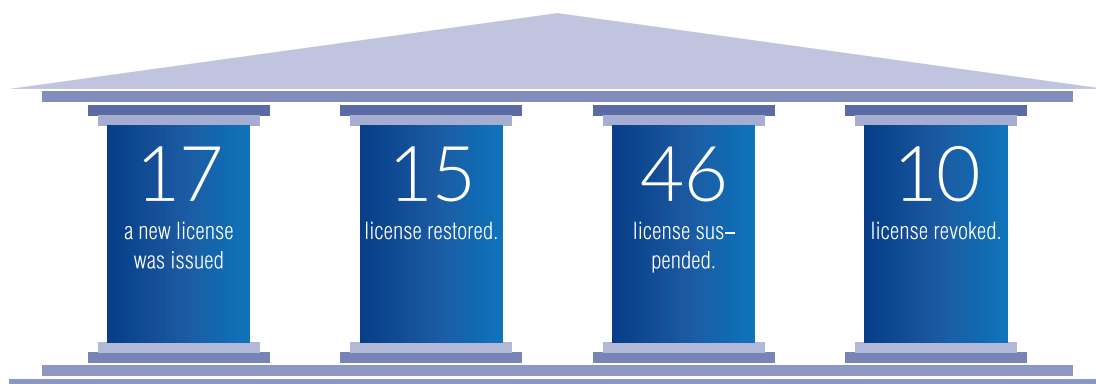
368 people were issued insurance agent licenses.	
52 special licenses for opening branches of insurance and professional participating companies were issued.	Insurance actuary rights and registration were granted to 5 legal entities.

In the field of insurance market:

- ◆ Registration of insurance products, 38.
- ◆ Special license to engage in insurance activities, 1.
- ◆ Special license for insurance broker activity, 7.
- ◆ Special license for an insurance agent, 368.
- ◆ Revocation of insurance agent's special license, 190.
- ◆ Request permission to appoint an authorized official, 42.
- ◆ Of the shareholder of the insurance professional participant, 17.
- ◆ Disqualify reinsurance brokerage, 1.
- ◆ Permission to change the amount of share capital and composition of shareholders, 2.
- ◆ Change assigned name, 1.
- ◆ Change of address, 16.

LICENSING AND REGISTRATION

Figure 5. Information on the NBF Sector; Licensing



In the direction of NBF:

Of a total of 513 NBFs engaged in regulated activities, 465 (97%) of 479 NBFs engaged in lending activities signed an agreement with the credit database.

At end of 2022, a total of 92 issues had been reviewed and resolved; including: 17 applications for special license for non-banking financial activities, 35 applications for additional special licenses for non-banking financial activities, four for mergers, and 36 for issuing closed debt instruments.

A total of 289 requests for special licenses, licenses, and registration of NBFs were received and registered electronically; meaning that the decision of e-requests were 99.3% fulfilled.

In the direction of SCC:

During the reporting period, the FRC issued special licenses (to operate) to seven SCCs, special licenses were extended to 62 SCCs, and special licenses were revoked of three SCCs (in accordance with the law and regulations). Seven requests from six SCCs for the establishment of branches, revocation of branch licenses, changes of assigned name, and permission to engage in other financial work and services were reviewed. The requests of four SCCs that meet the requirements of relevant laws and regulations were resolved by order of

Table 4. Authorization and registration information of NBF

No	Authorizations	No
1	New license	17
2	Additional license	35
3	Joining, merging	4
4	Closed bonds	36
5	Name change	10
6	Establish a branch	44
7	X3B, XHX, XHXB	283
8	Secondary charity	3
9	Address change	83
10	Executive management changes	111
11	Board registration	45

the Chairman of the FRC. 109 for registration of changes of selected and authorized officials of SCCs, seven for registration of address changes, and 99 requests were resolved from a total of 116 requests. Detailed information of 142 SCCs was entered into the SCC unified registration database, and the changes of 261 SCCs were updated immediately.

LICENSING AND REGISTRATION

REBs AND DPMSs:



No	Permission and registration name	No
1	Licensed REB	60
2	Revoked REB	3
3	permission to open a branch of the organization	3
4	Licensed DPMS legal entities	7
5	Licensed DPMS individual	29
6	Revoked DPMS legal entities	1
7	Suspended DPMS legal entities	1
8	Changes in the amount of capital contributed by legal entities and the structure of shareholders	36
9	Name change	4
10	Branch approval	5
11	Revoking the permission to open a branch	1

In the direction of virtual asset service provider:

In accordance with Article 17 of the Law on Virtual Asset Service Providers, before into force the law on the 'Period of transition coordination' registered the activities of nine companies. And a total of 15 companies were terminated, and issued by the State Inspector submitted an official requirement. Since the end of the 'Period of transition coordination', a total of four companies were registered, and the total number of registered companies reached 11.

According to the 'Regulations for Registration of Legal Entities for Auditing Virtual Asset Service Providers, training was jointly organized with the Mongolian Institute of Certified Public Accountants starting on 31 October 2022. As a result, the relevant documents of the two audit companies that passed the examination and applied for registration are now being reviewed.



SUPERVISION

WITHIN THE SCOPE OF ON-SITE INSPECTIONS:

During the reporting period, on-site supervision was conducted of 371 regulated entities. Based on the results of the supervision report, measures were taken in accordance with the relevant laws and regulations. Fulfillment was confirmed by submitting assigned timed tasks of the state inspector's official requirements. Prepared and submitted information related to the on-site supervision report of the Mongolian Mortgage Corporation LLC and four types of proposals regarding measures to be taken further within the relevant legal framework. Also included in the draft resolution of the Government of Mongolia was 'On some measures to be taken regarding the activities of subsidized housing loan financing'.

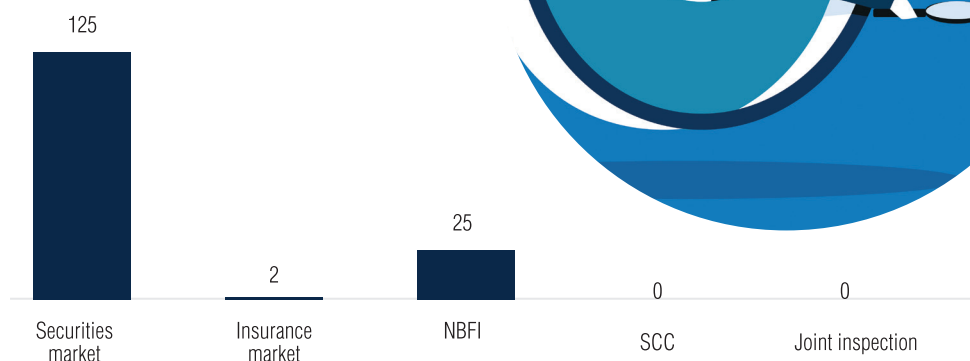
The supervision plan to be carried out in 2022 – based on the risks of each sector – was approved and on-site supervision was carried out.

Penalties on disputes resolved by simplified regulation 44 notices – from the authorized officials and state inspectors of the FRC by the end of 2022 – included:

- Penalty on punishment for violations of 15 notices,
- A total of 59 penalty notices were issued and MNT339.0 million in fines was imposed on the citizens and legal entities involved.

A fine of MNT194.0 million was imposed on the penalty sheet for the disputes resolved by simplified regulation, and a fine of MNT145.0 million was imposed on the penalty sheet for the violation. The Law on Violations and the Law on the Law on Violation and settlement of disputes were implemented. Section 1 of Paragraph 7.5 of the Law on Violation and settlement of Disputes stipulates that 'authorized officials shall be responsible for the implementation of the decision to impose punishment or take coercive measures. It is regulated by law, that authorized officials of the FRC are responsible for the execution of the penalty list. By the end of 2022, of a total of 59 penalty notices, 45 had been fully paid and seven had been partially paid. Also, the process of payment of fines imposed in six penalty notices was underway, and one penalty notice has been filed in a court but has not been recognized.

Figure 6. On-site Inspection information



SUPERVISION

WITHIN THE SCOPE OF OFF-SITE SUPERVISION:

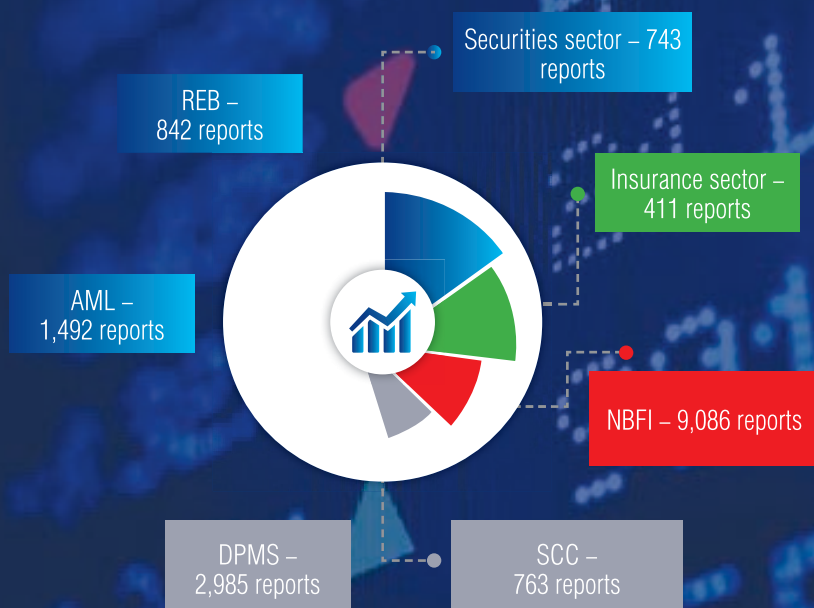
During the reporting period, 12,495 entities submitted engaged in activities of securities, insurance, NBFIs, and SCCs monthly and quarterly reports, and news to the FRC in the total number of duplicates;

- 842 were real estate brokerage organizations,
- 240 were legal entities of traders of precious metals and stones or articles made of them,
- and 1,903 were citizens of traders of precious metals and stones or articles made of them and that is a total of 2,985 reports have been reviewed and responded to.

4,552 regulated entities received duplicate reports as part of off-site supervision. A total of 6,343 entities were provided with: prudential ratios, fees for coordination services, statements of the work of law enforcement, and the state inspectors official requirements to monitor

tasks. A handbook on monitoring reports of real estate brokerage agencies and traders of precious metals and stones or articles made from them, was developed and presented. With the goal of creating a unified real estate database of Mongolia, a report template (for two regulated sectors) was included in the 'General Housing Information Portal' system implemented by the Ministry of Construction and Urban Development. Information related to 'Risk assessment of money laundering and financing of terrorism and proliferation of weapons of mass destruction for' was collected from reporting entities of the entire sector on 07 to 28 January 2022. And measures were taken to determine the risks. By the end of 2022, a total of 196 SCCs were engaged in activities with a special license, in the sector of SCC. Of these, 190 SCCs convened a meeting of all members, reviewed the submission of relevant materials to the FRC and submitted relevant recommendations.

Figure 7. Remote Monitoring and Inspection Data



SUPERVISION

In 2022, the FRC participated in litigation in 18 court cases; one as a plaintiff and 17 as a defendant; and 12 (66.6%) of the total cases are state control controversies. Infringement disputes account for two (11.1%), while special license disputes, tort disputes, wage and salary disputes, and normative act disputes accounted for one each (5.6%). Of 18 cases, 11 were fully resolved; by the court dismissing the claim entirely, refusing to accept the claim, or dismissing the case. In 2022, the FRC received five cases that were not resolved in the previous year, and added 13 new claims; and was participating as a plaintiff and defendant in a total of 18 cases and disputes. Of these, 11 cases were resolved and the remaining seven were under review. Within the legal category, there were 15 administrative cases (83.4% of all cases), while three civil cases accounted for 16.6%. In 2022, of all disputes,

seven (38.9%) were related to the securities sector, while five (27.8%) related to the NBFIs sector. The insurance sector accounted for two (11.1%) of cases, and the precious metals and real estate brokerage sectors also accounted for two (11.1%) of cases respectively. The VASP sector and others (public service, tenders, etc.) each accounted for one (5.6%).



Official requirements of state inspector

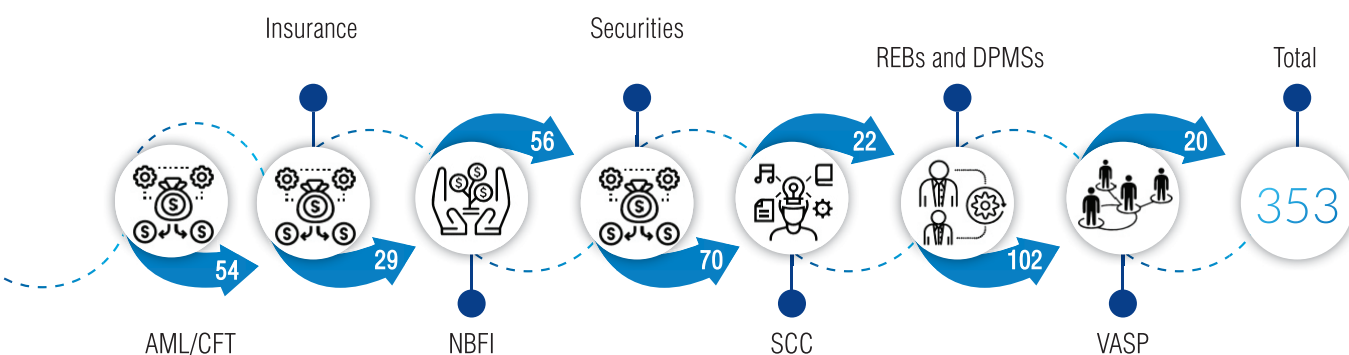
According to the reports and conclusions of on-site supervision, the official requirements and time-bound tasks of relevant state inspectors were fulfilled to a level of 87%. Cases of violations were opened against six legal entities and one citizen, and the violations filed by one legal entity were resolved in a simplified manner.

Including: three legal entities and one citizen were sentenced to partially pay a fine of MNT54.0 million and damages of MNT7.0 million. Of these, three legal entities collected MNT11.2 million in fines from one citizen according to the schedule, and paid MNT7.0 million in damages.

There was a conclusion that the fine of MNT40.0 million imposed on one legal entity in 2021 would be upheld by the Civil Court of Appeals in the capital. According to eight complaints submitted regarding the implementation of the Law on the execution of payments in national currency, one legal entity and seven citizens were fined MNT68.0 million based on Paragraph 1.1 of the Law on Infringement.

Two real estate brokerage organizations and 14 traders in precious metals and stones or articles made from them were monitored under on-site supervision. Of these, file a violation of the case registration procedure has been started in two real estate brokerage agencies

Figure 8. Requirements, by state Inspector



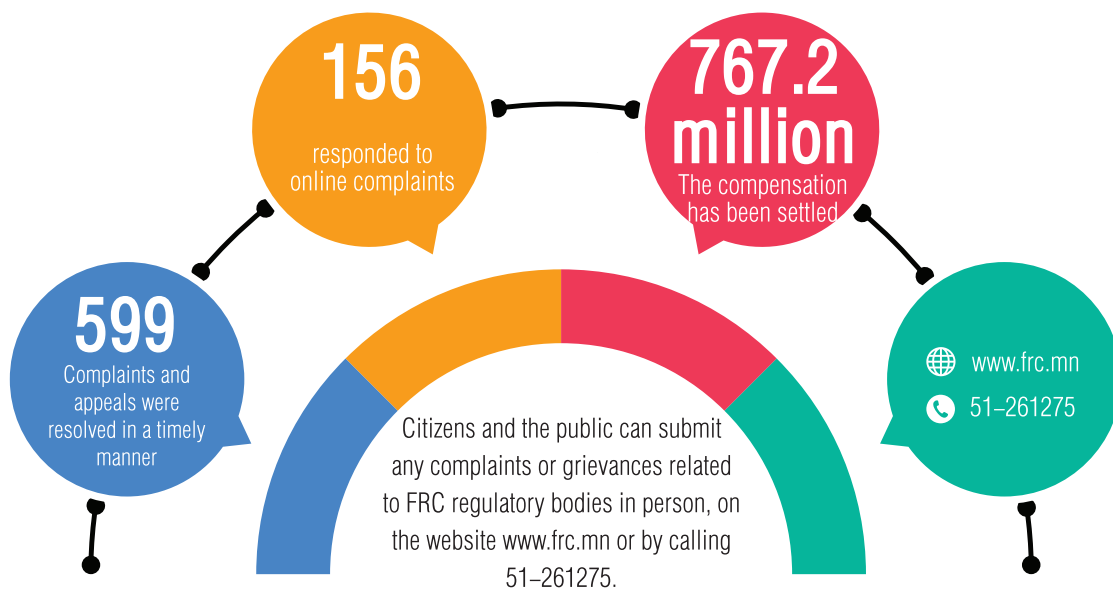
PROTECTING THE RIGHTS OF CONSUMERS AND INVESTORS

The Supervision Department of the FRC reviewed applications and complaints submitted by investors and customers, issued opinions and conclusions, and carried out preliminary decision-making functions within the scope of the powers prescribed by law.

A total of 599 petitions were received in 2022. Of these, 156 were received electronically, and 443 in writing. They included; 238 in the insurance market, 136 in the

NBFIs sector, 128 in the securities market, 20 in the SCCs sector, and 77 in others fields. During the reporting period, according to FRC decisions, MNT51.0 million was refunded to two citizens who complained about the sale of shares without permission, and the insurer provided MNT174.4 million from a total of MNT541.8 million in compensation to 24 citizens and legal entities.

Figure 9. Petitions and Complaints; Decisions



AML/CFT

RISK MANAGEMENT

In the field of creating a legal environment for VASPs, and creating a system that supports innovation and reduces risk, the FRC carried out step-by-step measures to assess the risk of AML/CFT in the field of virtual assets at the national level. It also developed and approved regulations, expanded cooperation, and issued warnings to the public.

To improve the evaluation of FATF Recommendation 15 within Mongolia, the FRC submitted reports and clarifications to the APG for re-evaluation; and worked to ensure implementation of technical recommendations. Representatives presented the assessment of FATF's Recommendation 15 at the 25th Annual Meeting of the Asia-Pacific Anti-Money Laundering Group – organized by the Asia-Pacific Anti-Money Laundering Group (APG) – which took place in Kuala Lumpur, Malaysia. As a result, the evaluation of Mongolia – with reference to FATF Recommendation 15 – improved from 'partially-implemented' in 2021 to 'mostly implemented' in 2022; equivalent to a step up of one level. By improving the evaluation of Recommendation 15, Mongolia has been evaluated as 'fully implemented' and 'mostly implemented' in 39 of the 40 FATF technical recommendations. And Mongolia became the first non-member country of FATF to improve its evaluation (within FATF Recommendation 15).

Within the framework of the Program to Anti-Money Laundering and Combating the Financing Terrorist approved by the Government Resolution No. 265 of 2022, Members authorities of the Cooperation Council developed The National Program for anti-Money Laundering and combating Terrorist Financing 2021–2026 and was approved. The action plan for implementing the program consists of 197 tasks to be carried out within the framework of 8 goals of which 124 tasks are related to the FRC.

In the field of AML/CFT, FRC conducted on-site supervision of the activities of 82 persons responsible for reporting, and issued relevant conclusions. Based on the national risk assessment report and off-site supervision, the official requirements of the state inspector were delivered to 108 persons responsible for reporting. Statements were delivered to 691 persons responsible for reporting, and the special licenses of 15 persons responsible for reporting were revoked.

According to the clause, 'If the virtual assets service providers do not register their obligations within this period, they will be unable to continue their activities' under The Law on Virtual Assets Service Providers, the official requirements of the state inspector were delivered to 15 entities that have not been submitted for registration, and to four entities which had been refused registration by the FRC. As a result, entities' operations were stope. In addition, within the national risk assessment report and off-site supervision of AML/CFT and VASPs, 65 duplicate notifications were submitted to 39 VASPs entities.

Relevant research on AML/CFT was updated, and the current situation and price research (related to VASPs the virtual assets) was continued. FRC implemented relevant measures based on the above research, national risk assessment, and off-site supervision.



AML/CFT

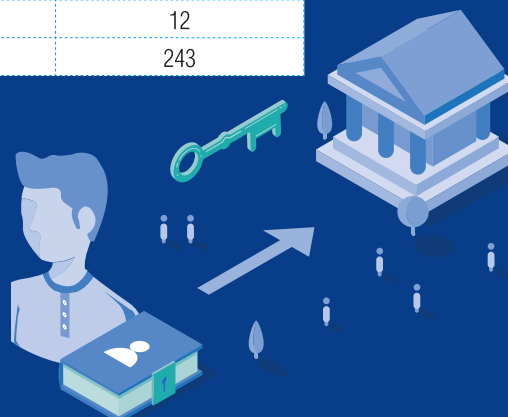
PROVIDE INFORMATION AND TRAINING TO THE PUBLIC

According to the FATF Recommendations on Anti-Money Laundering, Combating Financing of Terrorism, and the Financing of the Proliferation of Weapons of Mass Destruction, FRC organized training and education activities using all information channels. At the same time – to promote and enforce compliance with laws and regulations and standards of business ethics and professional relationships, and further prepare the financial sector for FATF on-site monitoring and inspection assessments – training for the companies' management and employees in the compliance certification program, was organized. During the training, information and knowledge about compliance were provided, to improve their ability to manage compliance risks by preventing, detecting, and stopping crime.

In the field of AML/CFT – in 2022 – a total of 55 training sessions on regulatory sectors were organized, and 2,361 entities attended the training. In the training, information was provided on topics such as the concept and system of AML/CFT, and the duties of entities responsible for reporting.

A discussion on 'Compliance Risk Management-2' was held on how to: implement a risk-based methodology in the AML/CFT, solve some of the problems in the effective implementation of FATF recommendations and standards, gain a common understanding, and localize compliance risk management in regulatory sectors. In 2021, The FRC signed a memorandum of cooperation with the Financial Education Node NGO, related to fostering a culture of compliance. During the reporting period, within the framework of recommendations from the memorandum (and discussions) training was organized to increase the skills of compliance staff and specialists.

in the field AML/CFT	On-site Inspections for AML/CFT
Securities sector	164
Insurance sector	2
NBFI	45
SCC	7
REB	13
DPMS	12
Total	243



INTERNATIONAL COOPERATION

The FRC cooperated with international organizations in market development, and aims for developing the supervision and regulatory environment – of the regulated sector – in line with international standards. Also, the FRC was working with financial regulatory organizations to exchange experiences with other countries.



International Association of Insurance Supervisors

Risks affecting insurance companies operations, market trends – including electronic risks and the risks of conducting operations through third parties – were studied. The FRC participated in the IAIS Working Group on Operational Resilience Task Force (ORTF), to study risks and market trends (affecting the insurance company's operations in 2020) and how they might affect the insurance companies' operations and risks.

In connection with submission of the declaration of accession to the Memorandum of Multilateral Cooperation, three sets of questionnaires were submitted to the IAIS evaluation team.

Representatives attended the International Association of Insurance Supervisors (IAIS) 29th Annual Conference, in Santiago, Chile.



The International Organization of Securities Commission

Representatives participated in the 47th Annual Meeting of the International Organization of Securities Commissions (IOSCO) in Marrakech, Morocco. At the APRC meeting (being held during the IOSCO Annual Meeting), the FRC signed the Multilateral Memorandum of Understanding for Supervisory Cooperation, with the objective of supporting cooperation of cross-border activities and on-site supervision.

The FRC expanded cooperation with member organizations within the framework of the Multilateral Memorandum of Understanding (IOSCO) and actively participated in the events organized.



Alliance for Financial Inclusion

In the World Policy Forum of the Financial Inclusion Association and seven working group meetings held in May 2022, relevant members of the FRC worked together to create relevant recommendations and guides.

FRC has been worked as Chair the of Central Asia Policy Initiative (ECAPI) for the second year



The FRC worked with the German Association for International Cooperation (GIZ), in cooperation with the Mutual Exchange Forum on Inclusive Insurance (MEFIN) to hold an online conference entitled 'Reducing the Cost of Climate and Disaster Risk Insurance through Risk Reduction'. During the meeting, participants discussed the importance of accurate data and how the insurance industry might use this data to set insurance premiums more accurately and realistically.

INTERNATIONAL COOPERATION



Financial Service Commission (FSC) and Financial Supervisory Service (FSS)

Regulatory authorities discussed improving the legal environment, dual registration of companies (on the MSE on the South Korean Stock Exchange), the possibility to issue depository receipts, and, sharing mutual experiences of experts between both countries. Participants of the meeting agreed to continue the Partnership Program of Financial Supervisors and to cooperate in the exchange of experiences for the registration of newly regulated VASPs.

Japan's Financial Services Agency (FSA)



A two-stage e-learning course was organized within the framework of the 'GLOPAC Cooperation Program' implemented by the Japan Financial Services Agency.

The Securities and Exchange Board of India (SEBI) and the Insurance Regulatory and Development Authority of India (IRDAI)



To expand international cooperation, a MoU was signed with the Securities and Exchange Board of India, and the FRC met with representatives (online) of the Insurance Regulatory and Development Authority of India (IRDAI) to sign the memorandum

Asian Development Bank (ADB)

In accordance with 'Expanding the Capacity of the Micro Finance Sector to Support Financial Access' training for SCCs on 'Risk management of SCCs' was held in Orkhon (Darkhan-Uul province).

MoUs on 'Strengthening Public Resource Management, Private Sector Development, and Finance Sector Performance 2022–2025' and 'Developing Fintech Legal and Regulatory Frameworks for Mongolia' were signed and confirmed.

European Bank for Reconstruction and Development (EBRD)



The National Sustainable Finance Roadmap – with six main groups and 25 sub-measures – was developed and approved.



Japan International Cooperation Agency (JICA)

The project was successfully completed and the final report submitted. A proposal to start the next phase of the project (and additional questions to be answered, was submitted to JICA. Online meetings to exchange ideas about the project were held.



The Strengthening Fiscal and Financial Stability Project implemented by the World Bank

Draft of the Insurance Package Law, the Law on Regulation of real estate brokerage Activities and the Law regulating activities of dealers in precious metals and stones or products made from them, were developed. Financial analysis and risk management II" training and 'Training on compliance of accounting acts with international standards' were organized, with participated online by the British Insurance Institute (CII).



RESEARCH AND ANALYSIS

The FRC made decisions and defined a long-term strategy – on financial sector policies, regulations, and supervision – on the basis of research and analyses.

In 2021:

- Principles and standards of non-exchange market activities.
- International comparative studies of sandbox regulation.
- Ways to increase investments of insurance companies (international experience) the Research publishes book №3 etc, 8 research papers were compiled



Monthly

“Citizens in your financial knowledge” series of posters



Quarterly

STATISTICAL BULLETIN



Quarterly

Financial Market Review.



Monthly

Inclusive Finance journal



Monthly

Financial Market Monthly Review



Weekly

News of financial market.

Industry report, journals, data, and research are available on the FRC website (www.frc.mn), mail (rsa@frc.mn), and available by phone number 51-261106.



CORPORATE GOVERNANCE AND COMPLIANCE

The Corporate Governance Code was renewed, and approved by the FRC's Resolution No.145 of 2022.

In accordance with the good standards of other countries, and the characteristics of Mongolia, the Revised Codex was defined, with a regulatory structure and operation principles of the board of directors (BoD), including:

–The BoD itself is responsible for implementation of the Code and supervising it.

–Open joint-stock companies, insurers, non-banking financial institutions providing trust services, and investment management companies, are all required to follow the Code in their operations.

–The chairman and the majority of members of the board of directors should be independent, and the BoD should pay special attention to exercising the rights of foreign and small shareholders and report infringement

–BoD should use remote technology in organizing a compliance monitoring system and shareholder meetings.

–A company's BoD is obliged to report implementation of the Code to the trading organization within a certain period, as well as to publicise it through the annual activity report and website.

As well as, it included recommendations that the chairman of the BoD and the majority of members should be independent, BoD to pay particular attention to the exercise of the rights of foreign and small shareholders, etc.

Also, to help companies implement the principles of the Code, a 'Sample of the program for implementing the Code of corporate governance' was developed and approved as an appendix to the Code.

If the implementation of the Code is judged to be insufficient, the registration category of the securities will be reduced. In addition to quantitative financial ratios, investors will have quality indicators to evaluate the company's governance and make decisions



INFORMATION TECHNOLOGY



In order to digitize requests for the “ Electronic Licenses System”, integrate basic information into the integrated electronic system, and create conditions for the smooth operation of the system, along with receiving the permit request electronically, the request to register the change of the authorized official, address, location, and agent was digitized, and the Electronic e-letter was started using for operation.



Within the framework of creating conditions for ensuring the security of electronic information, determining the degree of readiness and ensuring preparation, the following was procured:

1. Antivirus, with official license;
2. Firewall, with official license;
3. 6 official licenses (2019) for server computers;
4. Microsoft 365 system with official license;

To reduce the use of paper in internal operations, and to automate some processes, the following systems have been implemented and entered into the Microsoft 365 system:

- ◆ IT Call Logging program;
- ◆ Conference room timekeeping program;
- ◆ Electronic and classroom training information registration system;
- ◆ Program for sending requests to view archive documents;
- ◆ Public information registration system

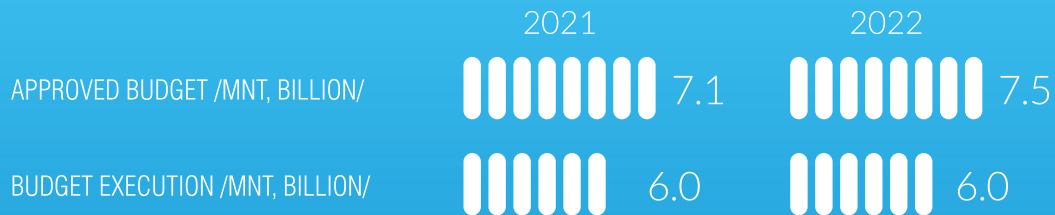


An agreement was being signed to obtain the following five additional services from the ‘State Information Exchange System’..

- ◆ Information about studying in universities and colleges.
- ◆ Transmission of vehicle owner historical data.
- ◆ Control of civil information.
- ◆ Real estate listings.
- ◆ Information on enterprise reports.

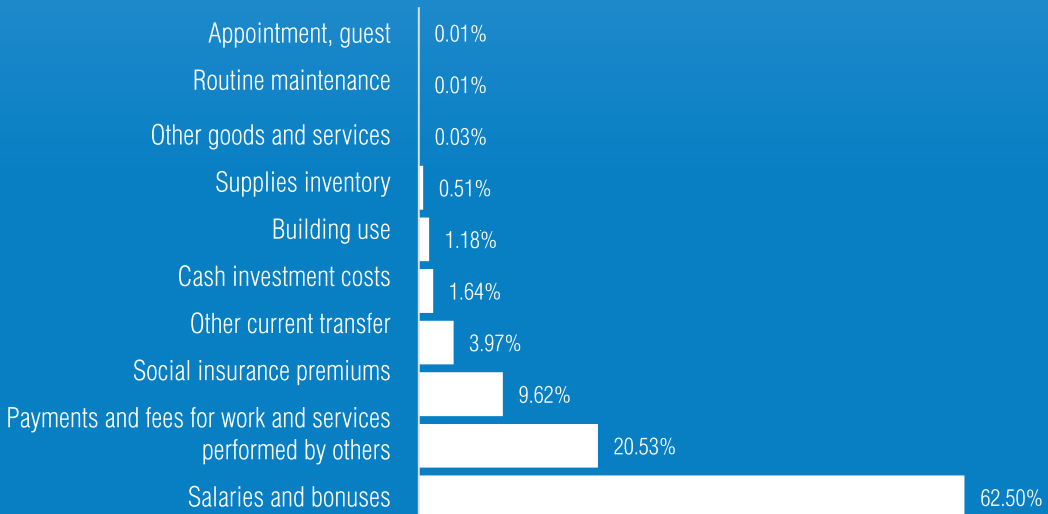


BUDGET AND FINANCE



In 2022, the FRC conducted operational activities with a MNT7.5 billion budget, 40.5% of which was financed from the state budget and the remaining 59.5% from revenues of the regulatory service fee, respectively to provide financial resources to conduct normal uninterrupted operational activities of FRC. During the reporting period, the revenue of regulatory services was MNT4.1 billion, and the fulfillment rate was 99.0%.

Figure 10. Total costs /%/



ACHIEVEMENTS

2022



Successfully implemented banking reform, and two banks with system influence have issued IPOs.



Start of the privatization of state-owned companies; the MSE issued additional shares to the public.



The legal framework for green insurance was created.



Monitoring and regulation of VASPs started.



The legal framework for guaranteeing insurance was created.



The law on the regulation of money loan activities was approved.

