

**MEMORANDUM OF UNDERSTANDING  
ON COOPERATION IN FINANCIAL SUPERVISION AREA BETWEEN  
THE FINANCIAL REGULATORY COMMISSION OF MONGOLIA AND THE  
AGENCY OF THE REPUBLIC OF KAZAKHSTAN ON REGULATION AND  
SUPERVISION OF FINANCIAL MARKET AND FINANCIAL  
ORGANIZATIONS**

The Financial Regulatory Commission of Mongolia and the Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations and hereinafter referred to as the Parties,

proceeding from a willingness to promote mutual interests through cooperation in the field of financial supervision on the basis of parity and benefit,

recognizing that such cooperation promotes economic cooperation and strengthen friendship between the two states,

have agreed on the following:

**Article 1. General Provisions**

1. For the purposes of this Memorandum (hereinafter - the Memorandum) the following definitions are used:

1) Cross-border establishment - a subsidiary of financial organization, a branch, a financial organization with foreign participation, representative office or any other legal entity within the jurisdiction of either Party' state, which gives rise to the need for consolidated supervision according to national legislation of the counter-Party's state;

2) Branch - a division of parent organization, which is registered in a home state; Branches are opened with due consideration of restrictions and requirements contained in the national legislations of the states of the Parties;

3) Subsidiary financial organization - a legal entity registered as a financial organization in a host state, licensed to render financial services according to the legislation of a host state and controlled by the parent organization registered in a home state;

4) Representative office - an office representing interests of the parent organization, which does not render any financial services;

5) Parent organization - a legal entity registered in a home state, licensed/permitted to render financial services according to the legislation of the home state that has a cross-border establishment within the jurisdiction of the counter-Party's state;

6) Home state - the state of registration of a parent organization;

7) Host state - the state of registration of a cross-border establishment;

8) Deal of acquisition - a deal which results in purchasing of shares of a cross-border establishment, whose purchase under the national legislation of the host state requires prior approval with the Party of a host state.

2. This Memorandum neither modifies, nor supersedes any effective laws or regulations of the states of the Parties. This Memorandum does not affect on any provisions or arrangements within the frame of other international agreements.

## **Article 2. The Scope of Cooperation**

1. The Parties shall cooperate in the area of financial supervision of activity of parent organizations and their cross-border establishments, particularly of insurance and securities market, in compliance with requirements of legislation of their states.

2. The Parties shall exchange information on the condition and development of financial market, basic norms and requirements in the field of financial supervision and changes thereto, in compliance with the requirements and restrictions provided by the national legislations of their states.

3. The cooperation within the frame of this Memorandum shall be implemented as initiated by either of the Parties, upon its request for assistance (hereinafter referred to as the request).

4. The request for information shall be transmitted in writing. To transmit the request, any communication means can be employed.

5. The request for assistance under this Memorandum may be denied, in full or in part, if the requested Party deems that processing such request contradicts national legislation of its state or public interests of the state. In that case, the requesting Party is notified in writing on the grounds for such refusal.

6. Each Party shall take all necessary measures to ensure prompt and full response to the request of the other Party, or notifies the latter of the circumstances that interfere or delay processing of the request.

## **Article 3. Sharing of Information**

1. The Parties shall provide information under this Memorandum in compliance with the national legislation of their states.

2. The scope of cooperation according to this Memorandum includes licensing and supervision of cross-border establishments in compliance with national legislations of the states of the Parties.

An application of parent organization of a home state for granting a license (permission/consent) to open (purchasing shares/interest in) a cross-border establishment is filed with the Party of a host state (hereinafter - the application) and considered within the timeframe and in compliance with host state legislation requirements.

Upon receipt of the application, the Party of the host state informs the Party of a home state about the outcomes of the considered application.

Upon request of the Party of a host state, the Party of a home state shall provide the following information on parent organization to make a decision on the application:

- 1) on the date of the state registration;
- 2) on the activity provided for in the license for rendering of financial services;
- 3) on the management bodies of parent organization, shareholders (participants), subsidiaries and affiliates, as well as the representative offices;
- 4) on the management structure and internal controls;
- 5) other information, provided under this Memorandum and necessary to make a decision on opening (purchasing shares (interest) in) a cross-border establishment, including information about financial condition of parent organization.

3. The Party of a host state shall supervise the activity of cross-border establishments in compliance with national legislation of its state.

4. The Party of a host state does not interfere in providing information and reports by cross-border establishments to parent organization necessary for exercising a consolidated supervision over financial organizations' activity and generating consolidated reports according to forms established in the home state.

5. In response to respective requests, on a reciprocal basis the Party of a home state provides the following information on parent organizations, and the Party of a host state provides the following information on cross-border establishments:

- 1) indicators reflecting the financial condition of parent organizations and their cross-border establishments;
- 2) organizational chart of cross-border establishments and activity of large (major) participants of such cross-border establishments;
- 3) the membership of the management bodies, risk management system, and internal control of cross-border establishments;
- 4) any significant fact or event in the activity of parent organization and its cross-border establishments, which may endanger the financial stability of regulated member organizations;
- 5) violations of banking legislation of the state Parties by parent organizations and their cross-border establishments, and measures taken by the Parties against such parent organization or its cross-border establishments;
- 6) other information necessary to exercise a consolidated supervision provided under this Memorandum, taking into account the restrictions set forth by the national legislation of the states of the Parties

#### **Article 4. Interaction of the Parties**

1. The Parties shall conduct meetings to discuss issues of mutual interest and issues related to improvement of supervision the activity of parent organizations and their cross-border establishments.

2. The date of meetings and agenda shall be agreed upon 30 (thirty) days prior to the date of a prospective meeting.

The complete list of participants and information about the participants shall be provided by both Parties not later than 20 (twenty) days prior to the meeting.

For effective cooperation on the issues related to meetings and consultations, each Party designates a responsible contact person.

#### **Article 5. Costs**

Each Party shall independently bears the costs which arise during the implementation of the present Memorandum, unless agreed otherwise.

#### **Article 6. On-site Inspection**

1. The Party of a home state of parent organization shall conduct an on-site inspection of cross-border establishments only upon the written consent of the Party of a host state where such cross-border establishment is located. Herewith, the Party of a home state of parent organization inspects the cross-border establishments by involving in such inspection the authorized persons of the Party of a host state where the cross-border establishment is located.

2. Not less than two months prior to a prospective starting date of the inspection, the Party of a home state of a cross-border establishment shall notify the Party of a host state of its intention with disclosing the following information: the name of a cross-border establishment, inspection period, the questions and timeframe for the inspection, information about the inspectors, the procedure and the forms of submitting the inspection findings to the Party of a host state.

3. The Party of a host state where a cross-border establishment is located shall provide written information on whether it agrees /consents to or denies inspection of a cross-border establishment, within 15 business days from the date of receiving the message specified in paragraph 2 of article 6 of this Memorandum.

#### **Article 7. Protection of Information**

1. It is a prerequisite for cooperation between the Parties to provide assurance that employees should be bound to preserve confidentiality of the information obtained in the course of their duties.

2. The Parties take appropriate measures to ensure protection of information while it is stored, used or transmitted to each other by any communication means.

3. No single piece of information provided under this Memorandum can ever be used, without prior permission of the Party which has provided such information, for purposes other than those for which it was requested and provided.

4. The obligations provided by the paragraphs 1 to 3 of the present article of the present article remain in force even in the case of termination of this Memorandum.

## Article 8. Settlement of disputes

Any disputes arising from interpretation and/or application of the provisions of the present Memorandum are resolved through negotiations and consultations between the Parties.

## Article 9. Final Provisions

1. Upon mutual agreement of the Parties, amendments and modifications can be entered to this Memorandum and validated as separate protocols that are integral parts thereof.

2. The present Memorandum becomes effective upon signing by the both Parties.

3. The present Memorandum is concluded for an indefinite period of time, and remains in effect until the expiration of 30 (thirty) days from the date of receipt a written notice through diplomatic channels from the one Party to another Party about the latter's intention to terminate the Memorandum.

The requests for assistance, which have not been honored by the end of specified 30 (thirty) days period, are honored by the Parties according to the terms and conditions of this Memorandum. Termination of this Memorandum does not release the Parties from their obligations on nondisclosure and protection of information obtained during the effect of this Memorandum.

4. The termination of the this Memorandum does not affect on the validity or life of the projects under this Memorandum launched before the termination of the Memorandum.

Done in Ulaanbaatar 2009 in (two) duplicates, each in Mongolian, Kazakh, Russian and English languages, with all texts having an identical legal validity. Should any disagreements in the interpretation of this Memorandum arise, the Parties refer to the English text.

For the Financial Regulatory  
Commission of Mongolia



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Chairman

For the Agency of the Republic of  
Kazakhstan on regulation and  
supervision of financial market and  
financial organizations



Bakmutova E.L.,  
Chairperson