

## **SPECIAL LICENSE FOR THE BANKING SECTOR**

(Translated)

**According to the Banking Law of Mongolia** any legal entity and individual except state and local government-owned legal entities (legal entities partially owned by the central and/or local government), non-governmental organizations, and their related parties shall be allowed to establish a bank. This provision does not apply to the Government's setting up a bank. Also, an approval is required from the Bank of Mongolia to establish a bank or its branch domestically and abroad.

### **Founders of a bank shall satisfy the following criteria:**

- to be licensed by and registered with authorities of a country, reports financial statements on an annual basis and/or shorter frequency in accordance with the laws and regulations of the jurisdiction;
- the individual and/or legal entity's financial operations must be subject to regular supervision by the authorities in accordance with relevant laws and regulations;
- financial statements and reports should be subject to external audit by an audit firm, licensed under the laws and regulations of Mongolia or internationally recognized and reputable, at least once a year;
- the fact of cash invested in the bank's paid-in capital being net income from own operations of the founder and/or its related party shall be indicated in financial statements and reports filed to the authorities of the jurisdiction of registration;
- no enquiries from authorities in relation to complaints and reference containing money laundering and terrorism financing aspects;

### **Documents to be furnished**

Law on State Registration of Legal Entities, founders and shareholders of a bank shall furnish the following documents:

- an application for a banking license;
- founding agreement (not applicable in case of one founder);
- the charter of the bank;
- feasibility study for the bank;
- name and address of founders and influential shareholders, and financial statements of last three years of their related parties audited by firms that meet the requirements stipulated in the Law;
- detailed description of management, personnel, technical facilities and premises of the bank in the templates set by the Bank of Mongolia;

- proof of the amount of capital invested in the bank, sources, and origin of the funds.

### **Granting a banking license**

**While reviewing an application for a banking license and other supporting documents, the Bank of Mongolia shall verify whether the following requirements are met:**

- whether the bank has capital paid in cash sufficient to run stable and efficient banking operations;
- whether knowledge, education and experience of the Executive Director, members of the Board of Directors and other top managers are sufficient for conducting fair and profitable operations of a bank, and whether the Executive Director and members of the Board of Directors satisfy the criteria set out in provisions;
- whether the bank will have an adverse impact on the country's economic security;
- whether there is sufficient documentation to prove that cash invested in the bank's capital is obtained from legal activities;
- The Bank of Mongolia shall accept an application for a banking license after verifying that the criteria specified in Article 19 and documentation requirements specified;
- The Bank of Mongolia shall accept the application for a banking license and make its decision within 60 days after receiving the application specified in;
- whether to issue a license and give a written notice about its decision to the founder within 3 days;
- The Bank of Mongolia may grant additional permissions described in Article 6 of this Law if a bank has soundly conducted operations granted by the license.

**The Bank of Mongolia shall refuse to grant a banking license and authorize capital investment in the following circumstances:**

- To rejected from the Bank of Mongolia to establish a bank or its branch domestically and abroad.
- the charter of a bank is in contradiction with the legislation;
- it is established that a bank that is to be incorporated is not able to have capital or proof of source for capital sufficient to comply with the requirements, or the materials submitted were false, or the capital was provided from a banking loan, or individuals for management positions of the bank do not satisfy the criteria set by this Law.
- Contradicts with relevant laws and decisions of financial regulatory authorities.

**Portal of the Financial Regulatory Authority: <http://www.frc.mn/en/tusgaizovshoorol>**