



Unofficial translation

LAW ON CURRENCY REGULATION

12 May, 1994.

Ulaanbaatar city.

CHAPTER ONE. GENERAL PROVISIONS

Article 1. Purpose of this law

1.1. The purpose of this law is to define the powers of the Government bodies in charge of currency settlement, and regulate relations concerning currency transactions by business entities, organizations and citizens and to control currency transactions and to protect the Mongolian currency from inflation.

Article 2. Legislation on currency settlements

2.1. The legislation on currency settlements is comprised of the Constitution of Mongolia, this law, and other legislative acts issued in conformity with them.

2.2. If an international treaty to which Mongolia is a party is inconsistent with this law, then the provisions of the international treaty shall prevail.

Article 3. Definitions

3.1. ‘*Currency*’ includes the national currency of Mongolia, foreign currencies, gold currencies, precious reserves and payout units used for payment in inter-governmental trade and economic relations.

3.2. ‘*National currency of Mongolia*’ shall mean the togrog, that is the solvent currency of Mongolia in transactions, securities and other payment instruments, commonly used in international transactions expressed in togrogs.

3.3. ‘*Foreign currencies*’ includes solvent foreign currencies in transactions, securities, and instruments of payment commonly used in international transactions expressed in foreign currencies. Foreign currencies shall be internationally accepted and divided into two categories: freely convertible and non-convertible.

3.4. ‘*Gold currency*’ shall mean gold purified in accordance with the international standards, held in international financial centres, and suitable for sale for foreign currency.

3.5. ‘*Precious reserves*’ shall mean precious stones and metals similar to gold currency.

3.6. ‘*Purified gold*’ shall mean gold which has been purified to add to the quality of gold but which does not satisfy conditions of sale for foreign currency.

3.7. Permanent residents involved in currency settlements (hereinafter referred to as ‘*permanent residents*’) shall be:

3.7.1. individuals, who permanently reside in Mongolia and persons who are permanent residents of Mongolia but who are traveling abroad for no more than 183 days;

3.7.2. legal persons in Mongolia established in accordance with the legislation of Mongolia and domiciled in Mongolia, which have branches and representative offices in foreign countries; and

3.7.3. Mongolian diplomatic missions in foreign countries.

3.8. Temporary residents involved in currency settlements (hereinafter referred to as ‘*temporary residents*’) shall be:

- 3.8.1. individuals who reside permanently outside of Mongolia, and who are resident in Mongolia for no more than 183 days;
- 3.8.2. legal persons established in accordance with the legislation of a foreign country and have not been domiciled in Mongolia, which have branches and representative offices in Mongolia; and
- 3.8.3. foreign diplomatic mission and international organizations which have branches or representative offices in Mongolia.

Article 4. Outgoing currency reserves of Mongolia

- 4.1. The outgoing currency reserves of Mongolia in the ownership of commercial banks and competent state bodies shall consist of:
 - 4.1.1. gold currency held in foreign banks and financial institutions;
 - 4.1.2. foreign currencies which are freely convertible;
 - 4.1.3. all kind of securities which are payable and saleable in foreign securities markets; and
 - 4.1.4. any other assets which are used internationally as currency reserves, excluding those set out in Paragraphs 4.1. and 4.2.
- 4.2. The state property items set out in Paragraph 4.1. shall refer to the outgoing currency reserves in the possession of competent state bodies.
- 4.3. Short-term loans and deposits granted by foreign countries shall be excluded from the calculation of the total sum of outgoing currency reserves owned by the Mongolian state and possessed by competent state bodies.

Article 5. The currency market and the exchange rate in Mongolia

- 5.1. The currency market of Mongolia is a currency market which operates on the basis of supply and demand and which consists of the currency exchange activities of authorised banks, exchanges and brokerage companies.
- 5.2. The Bank of Mongolia shall fix and publicly announce the exchange rate of the togrog in relation to currencies which are bought and sold on the currency market by commercial banks on a comparative basis with a stable foreign currency used in foreign commerce by a majority of countries.
- 5.3. An increase or decrease in the togrog exchange rate by five percent or more from the previous day shall be brought to the attention of the Prime Minister of Mongolia. This shall not prevent the President of the Bank of Mongolia from increasing or decreasing the togrog rate even though the Prime Minister does not agree to a rate adjustment.
- 5.4. A commercial bank shall establish its own exchange rate for buying and selling currencies on the basis of market demand.
- 5.5. The official exchange rate announced by the Bank of Mongolia shall be followed in determining the amount of customs and other taxable income by converting the income earned in economic and non-national currencies and the border price of imported goods into togrog and reflecting any assets and sources denominated in foreign currencies in togrogs.
- 5.6. A non-bank financial institution licensed to conduct foreign exchange trading shall set its exchange rate for buying and selling cash based on foreign exchange market demand

CHAPTER TWO. POWERS OF STATE BODIES WITH RESPECT TO CURRENCY REGULATION

Article 6. The powers of the State Great Khural

- 6.1. The State Great Khural shall have the following powers in relation to currency settlements:
 - 6.1.1. to define the currency policy of the State;
 - 6.1.2. to control and make decisions in respect of government loans borrowed from foreign countries and its balances;

- 6.1.3. to establish a minimum level of outgoing currency reserves in state ownership;
- 6.1.4. to make decisions on bringing purified gold from the State property into currency transaction; and
- 6.1.5. any other powers set out in legislation.

Article 7. The powers of the Government

7.1. The Government shall have the following powers in relation to currency settlements:

- 7.1.1. to take measures for increasing resources and for improving the balance of foreign currency;
- 7.1.2. to plan the balance of outgoing currency reserves of Mongolia and control its implementation;
- 7.1.3. to make proposals with respect to government loans from foreign countries and their payment and implement it;
- 7.1.4. any other powers set out in legislation.

Article 8. The powers of the Bank of Mongolia

8.1. The Bank of Mongolia shall have the following powers in relation to currency settlements:

- 8.1.1. to regulate and conduct nationwide currency transactions;
- 8.1.2. to take measures for increasing the outgoing currency reserves of the State;
- 8.1.3. to conduct currency transactions and external currency settlements in the Mongolian and foreign currency markets within its power;
- 8.1.4. to make proposals on the minimum levels of outgoing absolute currency reserves in the State's property, get it approved, maintain those levels, and dispose of it properly and effectively;
- 8.1.5. to conduct Government currency transactions and foreign settlements;
- 8.1.6. to control permanent residents' external settlements and cash transactions in foreign currencies;
- 8.1.7. to set up a procedure for rendering accounts and reports on currency transactions;
- 8.1.8. to submit to the State Great Khural unified accounts and reports on currency transaction on a quarterly basis; and
- 8.1.9. any other powers set out in legislation.

CHAPTER THREE. CURRENCY TRANSACTIONS

Article 9. Currency transactions

- 9.1. The currency transactions shall consist of such activities as selling, buying, saving, lending, transferring, and disposing currencies, giving currencies as a security, and their entry to and exit from Mongolia.
- 9.2. Banks shall deal with foreign currency transactions at the same time and in the same manner as with the national currency.
- 9.3. The Governor of the Bank of Mongolia and the Minister of Finance together shall approve the rules of transactions of the national currency of Mongolia and nonconvertible foreign currencies, and their entry to and exit from Mongolia.

Article 10. The currency transaction conducted by the Bank of Mongolia

- 10.1. The Bank of Mongolia is permitted to buy currencies and purified gold from domestic and foreign banks, other business entities and organisations or citizens for the purposes of increasing and regulating the outgoing currency reserves of Mongolia.
- 10.2. In order to maintain the stability of the tolog the Bank of Mongolia shall sell foreign currency from the outgoing currency reserves in its possession.

Article 11. The rights and duties of commercial banks conducting currency transactions

- 11.1. A commercial bank with the permission of the Bank of Mongolia, shall conduct the following currency transactions:
- 11.1.1. non-cash foreign currency settlements;
 - 11.1.2. buying and selling of foreign currencies in cash;
 - 11.1.3. opening of foreign currency accounts for permanent and temporary residents and making transactions; and
 - 11.1.4. all kinds of operations involving foreign currency such as providing credit in foreign currencies and giving guarantees.
- 11.2. Commercial banks involved in currency transaction shall have the following duties:
- 11.2.1. to report and prepare accounts on currency transaction in accordance with established regulations;
 - 11.2.2. to conduct operations which affect the rate of the togrog only with the permission of the Bank of Mongolia;
 - 11.2.3. to secure and keep the foreign currency bank accounts of customers confidential; and
 - 11.2.4. to conduct transactions involving the foreign currency of customers on the demand of the customer and to pay interest on foreign currencies held in accounts.
- 11.3. Commercial banks shall establish the percentage of commission which they may take for foreign exchange services.

Article 12. The currency transactions of business entities, organisations and citizens

- 12.1. Permanent and temporary residents, specified in Section 3.7.2. and Paragraph 3.8. of this law shall buy, sell, lend, transfer foreign currency only through the Bank of Mongolia and commercial banks authorised by the Bank of Mongolia.
- 12.2. Permanent residents specified in Sections 3.7.2. and 3.7.3. who received income in the form of cash or non-cash foreign currency shall sell or hold such foreign currency in a commercial bank authorised by the Bank of Mongolia within 60 days of receipt of that income.
- 12.3. Permanent residents specified Section 3.7.2. who conduct work and services in foreign currency cash shall sell or hold it in commercial banks except for such amounts needed for daily reserves in accordance with the procedure approved by the Bank of Mongolia.
- 12.4. Permanent residents specified in Section 3.7.2. shall be registered with the Ministry of Finance in order to provide credit to, assistance to, or to set up, capital in a foreign country.
- 12.5. Permanent and temporary residents shall provide written contracts for buying, borrowing, selling and lending foreign currency from commercial banks, and loan guarantees.

Article 13. The entry of currency to Mongolia and its exit

- 13.1. Citizens of Mongolia, foreign citizens and stateless persons are permitted to bring in foreign currency declared at the customs office through the State borders of Mongolia.
- 13.2. Permanent and temporary residents of Mongolia and stateless persons are permitted to take foreign currency out through the State borders of Mongolia in the following circumstances:
- 13.2.1. by providing a document verifying that freely convertible foreign currencies have been purchased from commercial banks authorized to carry out external settlements;
 - 13.2.2. by providing a declaration from the customs office establishing that such foreign currency entered Mongolia from outside;
 - 13.2.3. by providing a certificate from the State notary office certifying that such foreign currencies constitute a gift or inheritance; and
 - 13.2.4. by any other means provided by the law of Mongolia.

13.3. A citizen of Mongolia may take freely convertible foreign currencies out of Mongolia in such quantities as declared to the customs office unless otherwise prohibited by law.

Article 14. Foreign currency accounts, credit and settlement

14.1. The Ministry of Finance shall maintain and operate registers of foreign currency loans to the Government from foreign and international banks and financial institutions.

14.2. Deleted.

14.3. Deleted.

14.4. Deleted.

14.5. Deleted.

14.6. Business entities, organisations and citizens of Mongolia shall register all loans in foreign currencies borrowed from abroad with the Bank of Mongolia.

14.7. External settlements from the State budget shall only be repaid with the permission of the relevant financial institution.

14.8. The Ministry of Finance shall execute the Government's foreign currency transactions and external settlements only through the banks.

14.9. Permanent and temporary residents may hold foreign currency accounts in commercial banks authorised by the Bank of Mongolia to carry out external settlements or may hold accounts in the branches of foreign banks operating in Mongolia.

CHAPTER FOUR. CONTROL OF CURRENCY TRANSACTIONS

Article 15. Institutions which control currency transactions

15.1. The Government and the Bank of Mongolia and the Financial Regulatory Commission in accordance with their respective powers, shall control the transactions of currencies of business entities and organizations of Mongolia.

Article 16. State Inspectors for the control of currency transaction

16.1. The Chief State Inspector, the Senior State Inspector and State Inspectors shall control currency transactions.

16.2. The State General Inspector of currency control shall be the Governor of the Bank of Mongolia, and the senior state inspector shall be the Vice President of the Bank of Mongolia in charge of foreign exchange matters and the Chairman of the Financial Regulatory Commission.

16.3. State Inspectors in control of currency transactions shall be appointed by the Chief State Inspector, and the state currency inspector of the Financial Regulatory Commission shall be appointed by the chairman of the Financial Regulatory Commission.

Article 17. The duties of the institutions which control currency transactions and the powers of the State Inspectors

17.1. The Bank of Mongolia shall perform the following duties:

17.1. 1. control observance of the legislation on currency regulation by all business entities, organizations and all citizens regardless of type and form of property and subordination;

17.1. 2. maintain checks on documents relating to the transactions of currencies;

17.1. 3. maintain checks on the accuracy of reports, statements and registers with respect to currency transactions and external settlement; and

17.1. 4. control observance of legal acts approved by the authorized institutions in conformity with the legislation.

17.2. The Government shall control the use and expenditure of currency in its possession in accordance with the provisions of international treaties and the laws of Mongolia. The Government shall exercise that control through the Ministry of Finance.

17.3. State Inspectors shall have the following powers and duties with respect to the control of currency transactions:

17.3.1. to examine any documents relating to currency transactions and external settlements, and to require data, explanations and other necessary documents from the relevant officials and citizens;

17.3.2. to maintain checks on currency transactions and settlements and to prepare and ensure the execution of reports on its findings. Reports of State Inspectors shall be effective upon approval of the Chief State Inspector or the Senior State Inspector. Reports shall be signed by relevant officials or citizens. Officials or citizens who do not accept the findings of a report of a State Inspector may present their explanation;

17.3.3. to require the rectification of any problems identified in the report within a specified time and written demand;

17.3.4. to impose administrative sanctions pursuant to this law and any other laws on persons who fail to fulfill demands or who are in breach of this law;

17.3.5. to submit to the Chief State Inspector a proposal for the cancellation of the license to carry out activities on currency transactions and the settlements of persons in breach of this law;

17.3.6. to provide the investigative authorities with any relevant documents in the case of criminal breaches of the legislation on currency settlements.

17.4. State Inspectors of currency control must keep confidential information on currency assets and the currency trades of citizens, banks and other business entities and organisations obtained in the course of exercising control of currency transactions.

17.5. The currency control authority shall impose sanctions on its officers who fail to fulfil their duties in accordance with this law.

17.6. Disputes in respect of the currency transaction of business entities, organisations and citizens shall be resolved by the courts.

Article 18. Breaches of the legislation on currency settlements

18.1. If a breach of the legislation on currency regulation does not constitute a criminal offence, the following administrative sanctions shall be imposed:

18.2. Any damage caused as a result of a breach of legislation on currency regulation shall be compensated by citizens, business entities or organizations in breach, in accordance with this law.

Article 19. Entry into force of this law

19.1. This law shall enter into force on 1 June, 1994.

N. Bagabandi.

Chairman, State Great Khural