

LAW OF MONGOLIA

8 July 2006

Ulaanbaatar City

ON COMBATING MONEY LAUNDERING AND TERRORISM FINANCING

CHAPTER ONE

General provisions

Article 1. Purpose of the Law

1.1. The purpose of this Law is to combat and prevent money laundering and terrorism financing.

Article 2. Legislation

2.1. The law on combating money laundering and terrorism financing shall consist of the Constitution of Mongolia, the Criminal Code, this Law and other legal acts adopted in conformity with these laws.

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 of terms

3.1. The meaning of the following terms used in this Law shall be as follows:

3.1.1. “**money laundering**” means to conduct a transaction that involves assets, knowing that they were obtained by illegal means, in order to legalize the right to possess, use or dispose of these assets and to conceal the sources of these assets.

3.1.2. “**terrorism financing**” means to accumulate, transfer or use assets in any form knowing that these assets are intended to be used for terrorism financing.

3.1.3. “**reporting entity**” refers to the natural or legal persons, described in Article 4 of this Law.

3.1.4. “**assets derived from illegal activities**” means assets derived from committing less grave, grave and exceptionally grave offences other than those described in Article 166 of the Criminal Code.

- 3.1.5. “**suspicious transaction**” means a transaction that involves funds with no clear source or recipient or a transaction that is conducted via a country that does not have a financial monitoring mechanism to combat money laundering and terrorism financing or a transaction that is suspected of money laundering and terrorism financing.
- 3.1.6. “**cash transaction**” means a transaction involving local and foreign currency as well as checks, bills and securities widely used in international settlement.
- 3.1.7. “**suspension of transaction**” means to suspend a transaction to enable the FIS to determine if the transaction is related to money laundering or terrorist financing.
- 3.2. The Governor of the Bank of Mongolia shall, pursuant to Provision 3.1.5 of this Law, prepare a list of countries, that do not have a financial monitoring mechanism to combat money laundering and terrorism financing,.

CHAPTER TWO

Preventive measures

Article 4. Reporting entities

- 4.1. The following natural or legal persons, (Reporting Entities), shall report to the Financial Information Service on transactions described in Article 7 of this Law.
- 4.1.1. banks;
 - 4.1.2. non-bank financial institutions;
 - 4.1.3. insurance companies;
 - 4.1.4. licensed securities market entities ;
 - 4.1.5. natural or legal persons conducting pawnbroker activities;
 - 4.1.6. savings and credit cooperatives;
 - 4.1.7. natural or legal persons conducting foreign currency exchange activities;
 - 4.1.8. Natural or legal persons conducting gambling activities.
- 4.2. The natural or legal persons, other than those described in Article 4.1 of this Law, may report to the Financial Intelligence Unit any transactions that they

suspect of money laundering or terrorism financing or any cash transactions of 20 million togrogs (or equivalent foreign currency) or above.

- 4.3. Reporting entities shall not open an anonymous or numbered account or an account in fictitious names, or make a transaction from or to such accounts, or use closed accounts.

Article 5. Examination of information on customers

- 5.1. Reporting entities shall obtain customer information in the following cases:
 - 5.1.1. prior to providing a financial service;
 - 5.1.2. prior to conducting a transaction equal to or more than 20 million togrogs (or equivalent foreign currency);
 - 5.1.3. if the total sum of several inter-related transactions is 20 million togrogs (or equivalent foreign currency) or above, the individual value of any of these transactions is less than the threshold specified in Article 5.1.2, and there is a ground to suspect that the transactions are conducted with the intent to avoid the reporting requirement of Provision 5.2 of this Law.
 - 5.1.4. if there is a need to verify the accuracy of previously obtained information on customers;
 - 5.1.5. prior to conducting an international settlement transaction;
 - 5.1.6. if there are other grounds to suspect that the customer or the transaction is involved with money laundering or terrorism financing;
- 5.2. Reporting entities shall obtain the following information from their customers:
 - 5.2.1. if the customer is an individual, his or her father's or mother's name, given name, registration number, residential address, contact phone number, and a notarized copy of citizen's identity card;
 - 5.2.2. if the customer is a legal entity, name of the entity, its address, national registration and tax payer number, contact phone number, a notarized copy of its national registration certificate, and detailed information on its management;
 - 5.2.3. information on purposes and beneficiaries of transactions;
 - 5.2.4. information about people who made wire transfers.

- 5.3. If a customer refuses to provide the information provided for in Article 5.2 of this Law reporting entities shall be obliged to refuse to open an account, to conduct a transaction, or to provide other financial services.
- 5.4. Reporting entities Law shall update, within one year, the information on all customers with whom it had established financial relationships prior to the adoption of this Law in conformity with the requirements of Article 5.2 of this Law.

Article 6. Transactions of special monitoring

- 6.1. Reporting entities shall undertake special monitoring of the following transactions:
 - 6.1.1. transactions equal to or more than 20 million togrogs (or equivalent foreign currency);
 - 6.1.2. transactions with no clear purpose;
 - 6.1.3. transactions made via countries listed pursuant to Provision 3.2 of this Law;
 - 6.1.4. transactions that have no adequate information on the entity or the individual who undertook or who had someone undertake a wire transfer;
 - 6.1.5. transactions conducted in the name of a public official or a political party leader from a country listed country pursuant to Provision 3.2 of this Law.
 - 6.1.6. transactions that are different from the customer's previous transactions and that have no clear purposes;
- 6.2. Reporting entities shall undertake all possible measures, to obtain additional information or an explanation of the transactions described in Article 6.1 of this Law.

Article 7. Reporting on suspicious transactions

- 7.1. Reporting entities shall report to the Financial Information Service on cash transactions pursuant to Articles 5.1.2, 5.1.3 and 5.1.5 of this Law.
- 7.2. The relevant information together with its documentation shall be submitted to the Financial Information Service in the prescribed form within 7 working days after conducting a transaction described in Provision 7.1 of this Law or

within 24 hours if there is a ground to suspect that the transaction involved has the intent of money laundering or terrorism financing.

7.3. Reporting entities shall deliver the information to the Financial Information Service by fax, in electronic form or in writing and it should be confirmed immediately by fax or in writing if the information was delivered by phone.

7.4. If the authorities make a written request to a reporting entity, it shall provide information to them on specific transactions and their participants in accordance with the procedure jointly adopted by the Governor of the Bank of Mongolia and the Prosecutor – General on providing information.

Article 8. Retaining the information and documentation on customers

8.1. Reporting entities shall retain, for not less than 5 years, information and documentation on customers' transactions and closed accounts.

Article 9. Information on suspicious transactions

9.1. The following information on suspicious transactions shall be submitted to the Financial Information Service:

9.1.1. name and addresses of the reporting entity and the identity of the officials who submitted the information;

9.1.2. information on customers and beneficiaries;

9.1.3. information on purpose, value, form, date, account number, account holder and participants of the transaction;

9.1.4. brief explanation of grounds and circumstances to suspect the transaction;

9.1.5. other related documents.

Article 10. Monitoring of accounts

10.1. If there are grounds to suspect that the account(s), mentioned in the reports from reporting entities, are being used for money laundering or terrorism financing, then the Financial Information Service may monitor the account(s).

Article 11. Suspension of transactions

- 11.1. If there are grounds to suspect that the transaction(s) has or will be made by clients for the purpose of money laundering or terrorism financing, then the Financial Information Service may decide to suspend the transactions.
- 11.2. A decision to suspend a transaction shall be delivered to the reporting entity in writing, or, if this is not possible, by phone and the written decision shall be delivered within 24 hours.
- 11.3. The suspension of a transaction shall not exceed three working days and the Financial Information Service shall undertake the following measures during this period:
 - 11.3.1. obtain necessary information from related local and foreign institutions;
 - 11.3.2. if the established facts are sufficient grounds to suspect that the given transaction(s) had the purpose of money laundering or terrorism financing, then it shall be reported to the relevant authorities and the related documents shall be sent to those parties for investigation;
 - 11.3.3. if it is established that the given transaction(s) did not have the purpose of money laundering or terrorism financing, then the suspension decision shall be annulled and the reporting entity shall be immediately informed.

Article 12. Relieving from liabilities

- 12.1. The provision of reports by reporting entities to the Financial Information Service and other relevant institutions, in accordance with provisions of this Law, shall not be considered as a breach of banking and professional confidentiality.
- 12.2. Notwithstanding that the transaction to which a report relates was established not to have the purpose of money laundering or terrorism financing, it is forbidden to impose administrative and criminal charges against the reporting entity.
- 12.3. Neither the Financial Information Service nor a reporting entity is liable for any damages arising from the suspension of a specific transaction, in accordance with Article 11 of this Law,

12.4. If damages are inflicted on a person or legal entity due to wrongful actions undertaken by a reporting entity, and in violation of this Law, then the damages issue shall be settled according to the Civil Code.

Article 13. Confidentiality of reports

13.1. Reporting entities and the Financial Information Service are prohibited from disclosing information on clients' transactions to any other person other than as provided for in Article 7.4 of this Law.

13.2. The Director and Inspectors of the Financial Information Service shall not disclose at any time confidential information related to transactions.

Article 14. Internal monitoring of reporting entities

14.1. Reporting entities shall develop and implement an internal monitoring program to combat money laundering and terrorism financing. The program shall contain the following:

14.1.1. Policies and procedures on detecting suspicious transactions, security and confidentiality of information, reporting and transfer of documents to the Financial Information Service and other relevant entities;

14.1.2. Rules and procedures for the appointment and discharge, of officers who will supervise and monitor the implementation of laws to combat money laundering and terrorism financing, specifying the powers and obligations of such staff and the implementation of the rules provided for in Article 14.1.1 of this Law.

14.1.3. Requirements for providing professional training for the staff provided for in Article 14.1.2 of this Law.

14.2. The program provided for in Article 14.1 of this Law shall be submitted for registration to the Financial Information Service.

14.3. Model rules for the purposes of Article 14.1.1 of this Law shall be approved by the Governor of Bank of Mongolia.

Article 15. Transportation of money across the borders of Mongolia

- 15.1. Travellers carrying between 5 and 20 million togrogs (or its equivalent in foreign currency in cash), across the Mongolian border shall declare truly the amount of cash in customs forms.
- 15.2. If a person crosses the Mongolian border carrying more than 20 million togrogs in cash (or the equivalent in foreign currency) he or she shall make a declaration to the authorized representative of the Financial Information Service in the prescribed form.
- 15.3. A person who evades or objects to making a declaration or makes a false declaration under Articles 15.1 or 15.2 of this Law shall be liable as provided for in the Law.
- 15.4. Declaration forms for the purposes of Article 15.2 shall be approved by the Governor of the Bank of Mongolia.

CHAPTER THREE

Financial Information Service

Article 16. Financial Information Service

- 16.1. The Financial Information Service, whose functions will be to implement laws to combat money laundering and terrorism financing, shall be established in the Bank of Mongolia.
- 16.2. The strategic plan and structure of the Financial Information Service shall be approved by the Governor of the Bank of Mongolia.
- 16.3. The Director of the Financial Information Service shall be appointed by the Governor of the Bank of Mongolia upon consultation with the Minister of Finance.
- 16.4. The Director and Inspectors of the Financial Information Service shall meet the following requirements:
- 16.4.1. have served in banking, financial or legal professions for not less than three years;
 - 16.4.2. have no overdue debts or liabilities;
 - 16.4.3. have no criminal record

Article 17. Functions of the Financial Information Service

- 17.1. The Financial Information Service shall have the following functions, in addition to those provided for in Articles 10, and 11 of this Law:
- 17.1.1. receive, collect and analyze information reported from reporting entities as well as information contained in data bases of relevant local and similar foreign institutions;
 - 17.1.2. using reports from authorized institutions compile database on suspicious and cash transactions;
 - 17.1.3. regularly report to the reporting entities and competent state institutions on measures taken by the FIS on the basis of reports on suspicious and cash transactions;
 - 17.1.4. develop, provide to and ensure the implementation by reporting entities of a methodology to monitor and detect suspicious transactions and examine information related to money laundering and terrorism financing;
 - 17.1.5. disseminate information and raise public awareness to combat and prevent money laundering and terrorism financing;
- 17.2. Inspectors of the Financial Information Service have the power to examine the implementation of the laws to combat money laundering and terrorism financing and to require rectification of any breaches of the Law by reporting entities, or to make recommendations to the competent authorities for further action including the cancellation of special licenses.
- 17.3. Financial Information Service shall monitor how reporting entities and their officers fulfil their obligations imposed by this Law.

Article 18. Database

- 18.1. Financial Information Service shall have a unified database of information compiled in accordance with the provisions of this Law.
- 18.2. Rules on storage and use of information in the database shall be approved by the Governor of the Bank of Mongolia.

Article 19. Cooperation with similar foreign institutions

- 19.1. Financial Information Service shall cooperate with foreign and international institutions which conduct similar activities and have similar confidentiality requirements imposed by law.

- 19.2. Financial Information Service may provide the required information at the request of the institutions provided for in Article 19.1 and in accordance with the respective Laws.

CHAPTER FOUR

Miscellaneous

Article 20. Cooperation Council

- 20.1. The Council, whose functions shall be to ensure the implementation of laws to combat money laundering and terrorism financing, to exchange information, to prepare recommendations on preventative measures, shall be established at the Financial Information Service. The composition and rules of this Council shall be approved by the Governor of the Bank of Mongolia.

Article 21. Liabilities to be imposed on those who breach the Law

- 21.1. If the violation of the Law to combat money laundering and terrorism financing does not constitute a criminal offence, then the Inspector of the Financial Information Service shall impose the following administrative sanctions against the guilty person:
- 21.2. Official who violates the provisions of Articles 4.3 and 5.3 of this Law shall be imposed a fine up to 250.000 togrogs , a legal entity – a fine of up to 1.000.000 togrogs;
- 21.3. Official who violates the provisions of Article 13 of this Law shall be fined for up 500.000 togrogs, legal entity for up to 1.000.000 togrogs.

**Speaker of
the Great Khural
of Mongolia**

Ts. Nyamdorj