

**LAW OF MONGOLIA
ON CURRENCY REGULATION**

May 12, 1994
Ulaanbaatar city

(Turiin medeelel # 6, 1994)

**CHAPTER ONE
GENERAL PROVISIONS**

Article 1. Purpose of this law

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

Article 2. Legislation on currency settlements

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. 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

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 relation.

2. "National currency of Mongolia" means the togrog, that is the solvent currency of Mongolia in transaction, securities and other payment instruments, commonly used in international transactions expressed in togrogs.

3. "Foreign currencies" include solvent foreign currencies in transaction, 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.

4. "Gold currency" means gold purified in accordance with the international standards, held in international financial centres, and suitable for sale for the foreign currency.

5. "Precious reserves" means precious stones and metals similar to gold currency.

6. "Purified gold" means gold which has been purified to add to the quality of gold but which has not satisfy condition of sale for the foreign currency.

7. Permanent residents involved in currency settlements (hereinafter referred to as "permanent residents") shall be:

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;

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) Mongolian diplomatic missions in foreign countries.

8. Temporary residents involved in currency settlements (hereinafter referred to as "temporary residents") shall be:

1) individuals who reside permanently outside of Mongolia, and who are resident in Mongolia for no more than 183 days;

2) legal persons established in accordance with the legislation of a foreign country and has not domiciled in Mongolia, which have branches and representative offices in Mongolia; and

3) foreign diplomatic mission and international organizations which have branches or representative offices in Mongolia.

Article 4. Outgoing currency reserves of Mongolia

1. The outgoing currency reserves of Mongolia in the ownership of commercial banks and competent State bodies shall consist of:

1) gold currency held in foreign banks and financial institutions;

2) foreign currencies which are freely convertible;

3) all kind of security which are payable and saleable in foreign securities markets; and

4) any other assets which are used internationally as currency reserves, excluding those set out in sub-paragraphs (1) and (2) of this paragraph.

2. The state property items set out in paragraph 1 of this article shall refer to the outgoing currency reserves in possession of the competent State bodies.

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 Mongolian state and possessed the competent State bodies.

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

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 the authorised banks, exchanges and brokerage companies.

2. The Mongolbank 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.

3. An increase or decrease in the togrog exchange rate by 5 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 MongolBank from increasing or decreasing the togrog rate even though the Prime Minister does not agree to a rate adjustment.

4. A commercial bank shall establish its own exchange rate for buying and selling currencies on the basis of market demand.

5. The rate fixed by the MongolBank shall be used in the State budget and for customs calculation.

CHAPTER TWO

POWERS OF STATE BODIES WITH RESPECT TO CURRENCY REGULATION

Article 6. The powers of the State Ikh Khural

The State Ikh Khural shall have the following powers in relation to currency settlements:

- 1) to define the currency policy of the State;
- 2) to control and make decisions in respect of Government loan borrowed from foreign countries and its balances;
- 3) to establish a minimum level of outgoing currency reserves in State ownership;
- 4) to make decisions on bringing purified gold from the State property into currency transaction; and
- 5) any other powers set out in legislation.

Article 7. The powers of the Government

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

- 1) to take measures for increasing resource and for improving the balance of foreign currency;
- 2) to plan the balance of outgoing currency reserves of Mongolia and control its implementation;
- 3) to make proposals with respect to Government loans from foreign countries and their payment and implement it;
- 4) any other powers set out in legislation.

Article 8. The powers of the MongolBank

The MongolBank shall have the following powers in relation to currency settlements:

- 1) to regulate and conduct nation wide currency transaction;
- 2) to take measures for increasing the outgoing currency reserves of state;
- 3) to conduct currency transaction and outdoor currency settlement at the Mongolian and foreign currency markets within its power;
- 4) to make proposals on the minimum levels of outgoing absolute currency reserves in the State property, get it approved, maintain those levels, and dispose it properly and effectively;
- 5) to conduct Government currency transactions and foreign settlement;
- 6) to control permanent residents outdoor settlement and cash transactions in foreign currencies;
- 7) to set up a procedure for rendering accounts and reports on currency transaction;

- 8) to submit to the State Ikh Khural unified accounts and reports on currency transaction on a quarterly basis; and
- 9) any other powers set out in legislation.

CHAPTER THREE

CURRENCY TRANSACTION

Article 9. Currency transaction

1. The currency transaction shall consist of such activities as selling, buying, saving, lending, transferring, disposing currencies, giving currencies for a security, and it's entry to and exit from Mongolia.
2. Banks shall deal with foreign currency transaction at the same time and in the same manner as with national currency.
3. The Governor of the MongolBank and the Minister of Finance together shall approve the rules of transaction of national currency of Mongolia and non-convertible foreign currencies, it's entry to and exit from Mongolia.

Article 10. The currency transaction conducted by the MongolBank

1. The MongolBank 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.
2. In order to maintain the stability of the togrog the MongolBank shall sell foreign currency from the outgoing currency reserves in its possession.

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

1. A commercial bank with the permission of the MongolBank, shall conduct the following currency transaction:
 - 1) conducting non-cash foreign currency settlement;
 - 2) buying and selling of foreign currencies in cash;
 - 3) the opening of foreign currency accounts for permanent and temporary residents and making transaction; and
 - 4) all kinds of operations involving foreign currency such as providing credit in foreign currencies and giving guarantees.
2. Commercial banks involved in currency transaction shall have the following duties:
 - 1) to report and prepare accounts on currency transaction in accordance with established regulations;
 - 2) to conduct operations which affect the rate of the togrog only with the permission of the MongolBank;
 - 3) to secure and keep the foreign currency bank accounts of customers confidential; and
 - 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.

3. Commercial banks shall establish the percentage of commission which they may take for foreign exchange services.

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

1. Permanent and temporary residents, specified in subparagraph 2 of the paragraph 7 of the article 3 and subparagraph 8 of the article 3 of this law shall buy, sell, lend, transfer foreign currency only through the MongolBank and commercial banks authorised by the MongolBank.

2. Permanent residents specified subparagraphs 2, 3 of the paragraph 7 of the articles 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 MongolBank within 60 days of receipt of that income.

3. Permanent residents specified subparagraphs 2 of the paragraph 7 of the articles 3 who conduct work and services in foreign currency in the cash form shall sell or hold it in commercial banks except for such amounts needed for daily reserves in accordance with the procedure approved by the MongolBank.

4. Permanent residents specified subparagraphs 2 of the paragraph 7 of the articles 3 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.

5. Permanent and temporary residents shall provide written contracts for buying, borrowing, selling and lending foreign currency from commercial banks and loan guarantee.

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

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.

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:

1) by providing a document verifying that freely convertible foreign currencies have been purchased from commercial banks authorized to carry out outdoor settlements;

2) by providing a declaration from the customs office establishing that such foreign currency entered Mongolia from outside;

3) by providing a certificate from the State notary office certifying that such foreign currencies constitute a gift or inheritance; and

4) by any other means provided by the law of Mongolia.

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

Article 14. Foreign currency accounts credit and settlement

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.

2. On authorisation of the Government, the Minister of Finance shall give guarantees of foreign currency loans to the Government. The Government is not responsible for the repayment of foreign currency loans without the guarantee of the Minister of Finance.

3. The Government may enter contracts for the sale of loan and assistance provided by foreign and international banks and financial institutions with MongolBank, commercial banks authorised by the MongolBank to carry out outdoor settlements any other authorised business entities and organisations.

4. The parties to any contract referred to in paragraph 3 of this article shall agree on the interest rate, the date of repayment, the purpose of the loan and obligations of the parties under the credit contract.

5. Banks, business entities and organisations which enter contracts for foreign currencies lent to the Government shall accumulate capital resources in order to repay the loan to the State budget.

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

7. Out door settlements from the State budget shall only be repaid with the permission of the relevant financial institution.

8. The Ministry of Finance shall execute the Government's foreign currency transaction and outdoor settlements only through the banks.

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

CHAPTER FOUR

CONTROL OF CURRENCY TRANSACTION

Article 15. Institutions which control currency transaction

The Government and the MongolBank, in accordance with their respective powers, shall control the transaction of currency of business entities and organisations of Mongolia.

Article 16. State Inspectors for the control of currency transaction

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

2. The Governor of the MongolBank shall be the Chief State Inspector in control of currency transaction and the Deputy Governor of the MongolBank in control of currency transaction shall be the Senior Inspector.

3. State Inspectors in control of currency transaction shall be appointed by the Chief State Inspector.

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

1. The MongolBank shall perform the following duties:

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

2) to maintain checks on documents relating to the transaction of currency;

3) to maintain checks on the accuracy of reports, statements and registers with respect to currency transactions and outdoor settlement; and

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

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.

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

1) to examine any documents relating to currency transactions and outdoor settlements, and to require data, explanations and other necessary documents from the relevant officials and citizens;

2) to maintain checks on currency transactions and settlements and to prepare and ensure the execution of a report 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 the relevant officials or citizens. Officials or citizens who do not accept the findings of a report of a State Inspector may present their explanation;

3) to require the rectification of any problems identified in the report within a specified time and write demand;

4) to impose administrative sanctions pursuant to this law and any other laws on persons who fail to fulfill the demand or who are in breach of the law;

5) to submit to the Chief State Inspector a proposal for the cancellation of the license to carry out activities on currency transactions and settlement of persons in breach of the law;

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

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

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

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

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

1) for the breach of paragraph 4 article 12 of this law, a fine of 5,000 to 50,000 togrogs shall be imposed upon citizens and a fine of 50,000 to 250,000 togrogs shall be imposed upon business entities and organisations. For a breach of paragraph 2 article 12, a fine of 50,000 to 100,000 togrogs shall be imposed upon business entities and organisations;

2) for breaches of subparagraphs 2,3,4 of paragraph 2 of the article 11 of this law, a fine of 50,000 to 100,000 togrogs shall be imposed;

3) for breaches of paragraph 6 of the article 14 of this law, a fine of up to 50,000 togrogs shall be imposed upon citizens and 100,000 togrogs upon business entities and organisations;

4) for breaches of paragraph 1 article 12 of this law, a fine of 20,000 to 50,000 togrogs shall be imposed upon citizens and 50,000 to 100,000 togrogs upon business entities and organisations; and

5) for the carrying out of activities set out in paragraph 1 of the article 11 of this law without the authorisation of the MongolBank or outside the scope of authorisation of the MongolBank all income illegally earned shall be confiscated and a fine of 50,000 to 250,000 togrogs shall be imposed.

2. Any damage caused as a result of a breach of legislation on Currency regulation shall be compensated by the citizens, business entities or organisations in breach in accordance with the law.

Article 19. Enter into force of the law

This Law shall enter into force from June 1, 1994.

CHAIRMAN OF THE
STATE IKH KHURAL

N BAGABANDI