



**FINANCIAL  
REGULATORY  
COMMISSION**



# FINANCIAL REGULATORY COMMISSION OF MONGOLIA

Ensuring the stability and integrity of Mongolia's financial markets

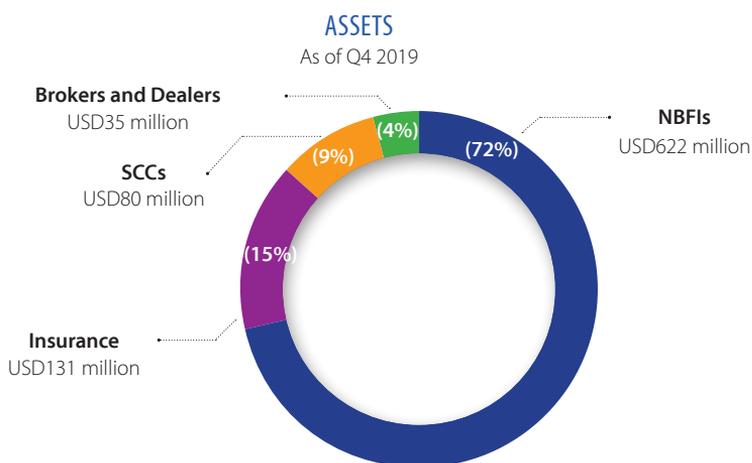
# ABOUT US

## FINANCIAL REGULATORY COMMISSION (FRC); THE PARLIAMENTARY AUTHORITY FOR REGULATION AND SUPERVISION OF NON-BANK FINANCIAL MARKETS

### GENERAL

The FRC is one of Mongolia’s two financial regulators; mandated to supervise and regulate the non-bank sector. Regulated areas include: the insurance and securities markets, real estate agents (REAs), dealers in precious metals and stones (DPMS), and participants of the microfinance sector. The FRC is responsible for providing for stable and sound financial markets. The Commission exercises its power over: non-bank financial institutions (NBFIs), insurance companies and intermediaries, securities firms, and saving and credit cooperatives (SCCs). At the same time, ensuring the rights of individual financial market clients (securities holders, domestic and foreign investors, and insurance policyholders) and protecting against financial malpractices.

Established in 2006, the FRC commenced activities with a greater degree of responsibility than its predecessor institution; the former Securities Commission. As a supervisory authority formed under parliament, the FRC is accountable to the Mongolian parliament (overseeing its work) and is subject to annual reporting to the Economic Standing Committee. Based on statutory objectives and tasks *‘FRC promotes transparency and fair competition in the non-bank financial sector, in the greater interest of the public and financial market’s clients.’*



### VISION

To create a diversified, sustainable and inclusive financial market, where fair competition is promoted and consumer protection is secured; fostering economic growth and development.

### MISSION

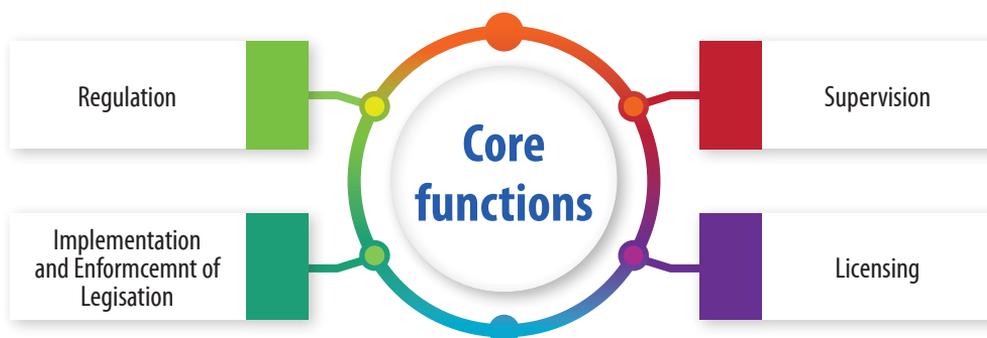
To develop diversified and sustainable financial markets that ensure the rights of consumers, and trust in the marketplace; through implementation of sound financial policies, regulation, and the establishment of an effective supervision system.

## VALUES

Focused on its workforce - the backbone of the Commission - whose roles are critical in safeguarding the financial well-being of consumers in Mongolia's financial markets. FRC's vital role in regulating and shaping the financial markets requires staff to work lawfully, and demonstrate high ethical and professional standards. Accordingly, in exercising its authority, the Commission promotes:



## CORE FUNCTIONS



## REGULATION

The FRC monitors the activities of institutions and their clients - in the financial markets it supervises - and regulates, when necessary, to secure compliance with the law. While the FRC establishes and enforces prudential standards - to ensure sound financial and risk management across all relevant institutions - it is committed to ensure the rights of consumers, and the proper functioning of financial markets. The framework of prudential standards and requirements, provides necessary guidance in relation to financial activities regulated by the FRC. The framework also addresses risks faced by firms (with measures for managing and mitigating them) and the capital adequacy required to withstand unexpected financial loss (thus mitigating the risk of insolvency).

## SUPERVISION

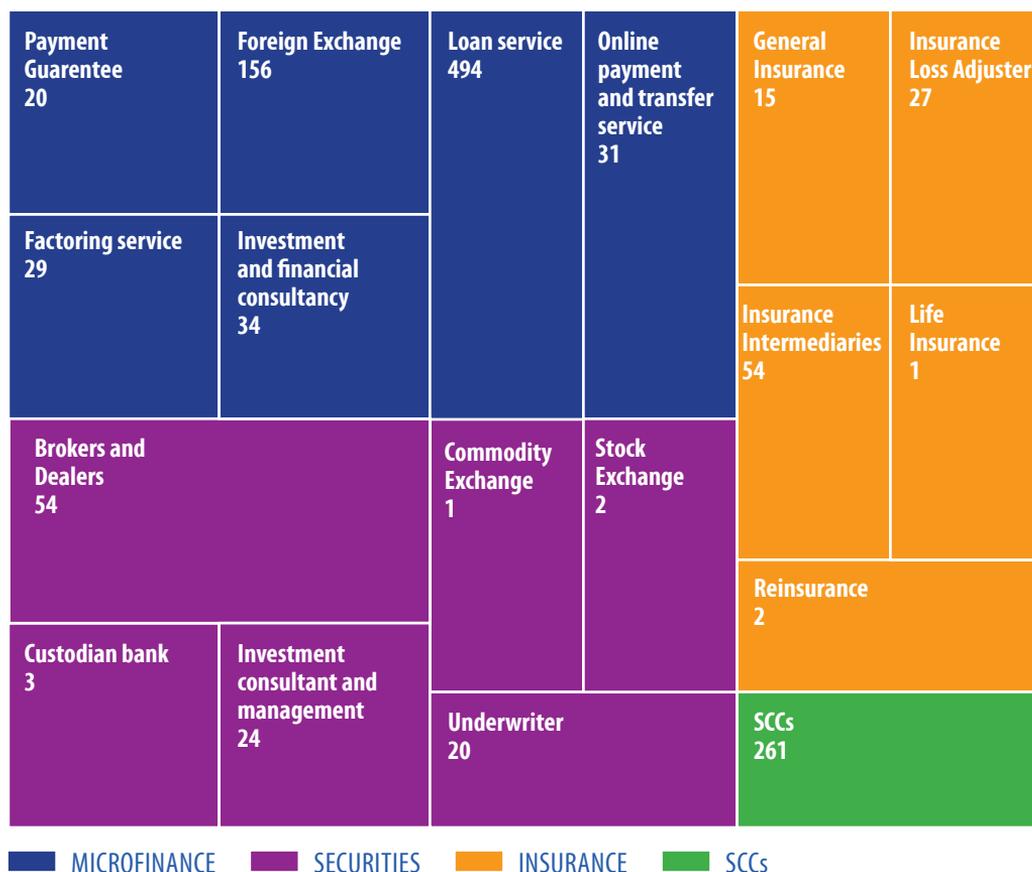
Along with its regulatory function, another of the FRC's core tasks is to supervise the institutions authorized to operate in the financial markets. NBFIs, insurance companies and intermediaries, securities firms, and SCCs are all subject to prudential supervision, and monitored on a continuous basis. Monitoring compliance with statutory obligations (and prudential requirements imposed on institutions) is a responsibility the FRC takes very

seriously; to ensure the rights of consumers and manage risks associated with financial malpractice. The FRC adopts a risk-based approach when carrying out its supervisory duties. The Commission directs efforts and resources towards areas and institutions - of greatest risk to consumers, and proper functioning - of the financial markets. The FRC strives to align its supervisory approach with best international and market practices, to maintain high standards in its capacity as a supervisory authority.

### LICENSING

The FRC authorizes firms and individuals engaged in the non-bank financial sector. For example, the Commission grants licenses to institutions operating in the markets it supervises, and monitors compliance with statutory regulations and licensing requirements. It is vital that firms and individuals offering financial services (and regulated by the FRC) operate in the best interests of consumers and meet the prudential requirements set by the FRC. The FRC imposes a range of requirements upon firms, and reviews such items as: business plans, capital adequacy, necessary resources and systems, and human capacity; for approval before granting authorization or registration.

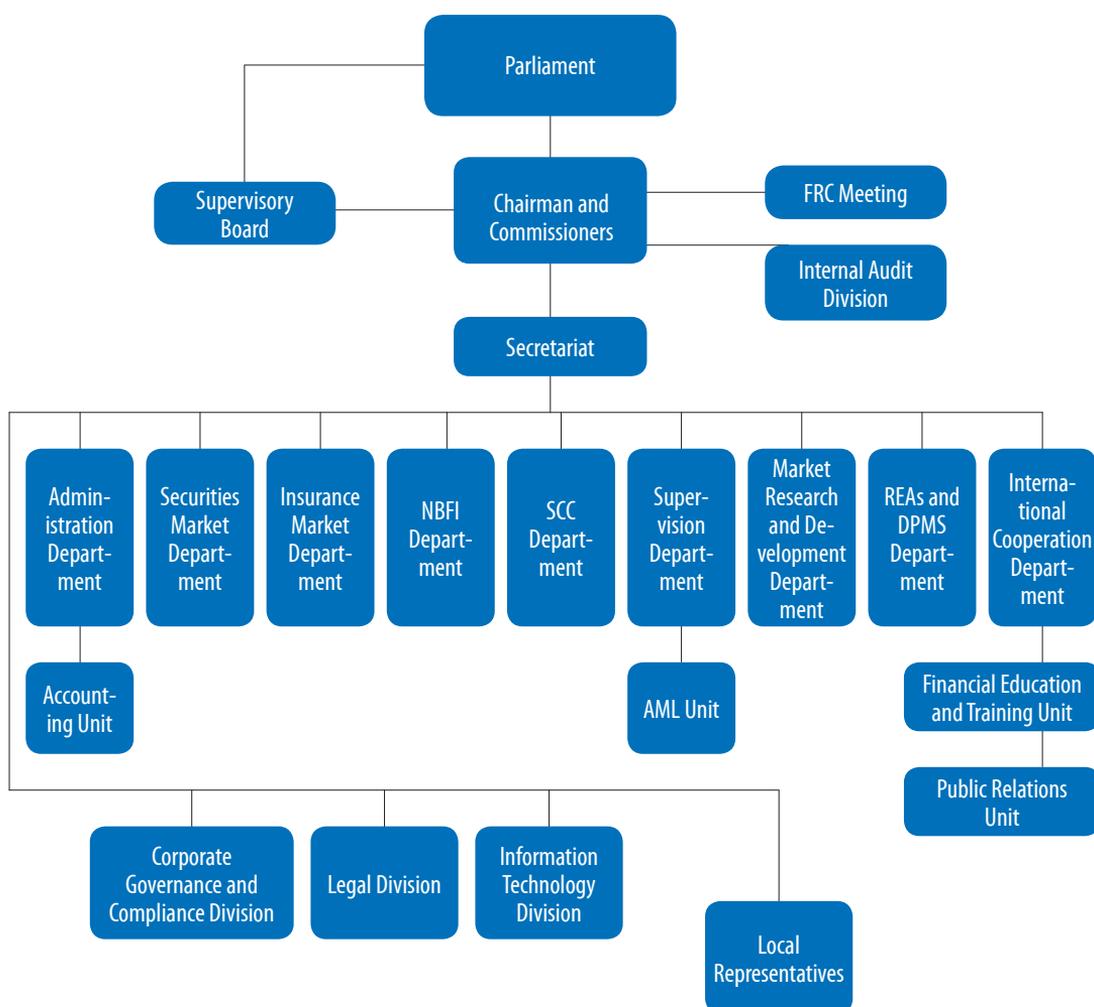
### WHO IS LICENSED BY FRC?



## IMPLEMENTATION AND ENFORCEMENT OF LEGISLATION

The FRC is responsible for the implementation and enforcement of relevant supervisory law. The Commission's enforcement powers are derived from its supervisory mandate. Within the limits of its statutory powers, the FRC undertakes on-site and off-site inspections, and issues sanctions where necessary. It is imperative for firms and individuals - who undertake regulated activities - to comply with respective rules and regulations; otherwise they will be subject to sanctions. To ensure compliance with respective legislation, the FRC monitors activities of supervised entities on a continuous basis, and works closely with other regulating, and law enforcement bodies. The Commission's Supervision Department is mainly responsible for monitoring and supervising regulated activities, and identifying cases where enforcement action is necessary. The FRC has a range of enforcement measures – including revocation, termination, and suspension of licenses; and issuance of warnings, and fines – for firms and individuals that breach the law and/or engage in financial malpractice. All such disciplinary actions are designed to protect consumers and investors.

## ORGANIZATIONAL HIERARCHY



### THE SUPERVISORY COUNCIL

Established under the law on the *Legal Status of the Financial Regulatory Commission of Mongolia*, the Supervisory Council is an independent body overseeing the activities of the FRC. The Council consists of a chairman and four non-permanent members appointed by Parliament. Overseen by the Parliament, the Council supervises the FRC’s decisions and resolutions, and exercises its statutory powers independent of the FRC. The Council is mandated to supervise the activities and decisions of the FRC, and suspend any when necessary. The FRC is thus, subject to the Council’s supervision and required to comply with lawful decisions of the Council.

### THE FINANCIAL STABILITY COUNCIL

The FRC is a member institution of the Financial Stability Council; a Parliamentary body safeguarding the financial stability of the markets by identifying and mitigating any financial risks. Established in 2007, the Council consists of the Governor of Mongol Bank (the Central Bank of Mongolia), the Minister of Finance, and the Chairman of the FRC. The Council’s role is to assess internal and external financial risk factors, and develop integrated policies to safeguard the stability of Mongolia’s financial markets. As a regulatory authority, the FRC serves a significant role in the Council’s Steering Committee, while decisions of the Council assists FRC’s policy-making and regulatory functions.

### INTERNATIONAL COOPERATION

In a fast globalizing world economy, where cross-border financial activity has heightened, the financial services industry makes international cooperation between supervisory authorities increasingly important. As part of its strategic objectives, the FRC strives to align its international strategies and approaches with those of advanced markets; and engage proactively with regional and international organizations and regulators. Bilateral and multilateral collaborations contribute to regional financial integration, and more efficient and sustainable markets. Cooperation of this kind facilitates the sharing of best practices and expertise; so often crucial to effective supervision. Also recognized is the importance and role of global standard-setting organizations, and the FRC actively engages with global regulators; seeking continuously to advance towards international standards in activities within its remit.



The FRC is a member of a number of international standard-setting organizations, including:

- International Organization of Securities Commissions (IOSCO)
- International Association of Insurance Supervisors (IAIS)
- Alliance for Financial Inclusion (AFI)
- International Credit Union Regulators' Network (ICURN)

In addition, the FRC cooperates closely with international development agencies; including: the Asian Development Bank (ADB), German Society for International Cooperation (Gesellschaft für Internationale Zusammenarbeit GmbH, GIZ), International Monetary Fund (IMF), Japan International Cooperation Agency (JICA) and the World Bank (WB). The collaboration includes different areas of financial markets - through implementation of nation-wide and sector-specific projects - that aim to strengthen the overall functioning of respective markets.



### ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

Within the scope of its responsibilities, the FRC monitors compliance with statutory and regulatory requirements (on combating money laundering) by financial service providers other than banks and notaries. More specifically, the FRC reviews compliance with anti-money laundering requirements, and monitors adherence to the provisions of the law on *Anti Money Laundering and Combating the Financing of Terrorism* (AML/CFT). This includes attention to financial service providers such as: NBFIs, insurance companies, securities firms, investment consultants, SCCs, REAs and DPMS .

Under the revised law on AML/CFT - adopted on 31 May 2013 - the FRC is mandated to supervise and regulate financial service providers, and to issue sanctions, guidelines, regulations and recommendations, for compliance with obligations. The FRC actively seeks to promote effective implementation of the AML/CFT regime in Mongolia, in accordance with international standards, as determined by the Financial Action Task Force (FATF). The FRC works closely with FATF and devotes continuous effort to ensure compliance with FATF's 40 Recommendations and international AML/CFT standards. It is important that the FRC collaborates closely with global standard setters, international regulators and agencies, to ensure Mongolia's financial system responds efficiently against financial crime; and cultivates strong AML/CFT compliance practices to safeguard the integrity of the financial system.

## CONTACT US

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