



LAW ON COMBATING MONEY LAUNDERING AND TERRORISM FINANCING
(Amended version as of 17 January 2020)

INTERNATIONAL COOPERATION DEPARTMENT

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LAW ON COMBATING MONEY LAUNDERING AND TERRORISM FINANCING

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CHAPTER ONE. GENERAL PROVISIONS

Article 1. Purpose of this law

- 1.1. The purpose of this law is to combat and define the legal basis of organizing preventative measures against money laundering and the financing of terrorism.

Article 2. Legislation on Combating Money Laundering and Terrorism Financing

- 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 2¹. Scope of this law

- 2¹.1. Measures to prevent and combat money laundering and the financing of terrorism in this law should be applicable to proliferation financing to the same extent.

Article 3. Definitions

- 3.1. The following terms used in this law shall be understood as follows in the application of this law:
 - 3.1.1. '*money laundering*' shall mean the acquisition, possession or use of income, money and assets knowing that they are proceeds of crime or transfer or conversion of such proceeds to conceal their illicit origins and to assist entities involved in committing crimes to avoid legal liabilities, or disguise their true natures, origins, locations, administration, ownership, and property rights.
 - 3.1.2. '*terrorism financing*' shall mean the direct or indirect accumulation, alteration, transfer, expenditure of assets by a terrorist knowing that they will be used to carry out a terrorist act and activities;
 - 3.1.3. '*cash transaction*' shall mean a transaction involving local and foreign banknotes as well as cheques, bills and securities widely used in international settlements.
 - 3.1.4. '*non-cash transactions*' shall mean transactions involving internationally accepted payment orders, invoices, letters of credit, collection services, payment cards, electronic settlements, leverage, loans and other non-cash payments;
 - 3.1.5. '*politically exposed person*' shall mean an individual defined in Paragraph 20.2 of the Law on the Regulation of Public and Private Interests and Prevention of Conflict of Interest in Public Service, or an individual who is or has been entrusted with similar posts by a foreign country and an individual who is or has been entrusted with similar posts by an international organization.
 - 3.1.6. '*beneficial owner*' shall mean:
 - 3.1.6.a. if a customer is legal entity then a person who has a significant or

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- controlling ownership interest solely or jointly with others or holds a management function of the legal entity or is represented by other persons or ultimately owns the legal entity earning benefit and profit by exercising control of the legal entity and its arrangement;
- 3.1.6.b. if a customer is an individual then a person who controls customers' actions activity or represented by the persons benefiting from it;
 - 3.1.6.c. as for a legal arrangement, a person who earns benefit or profit by exercising ultimate effective control over the legal arrangement.
 - 3.1.7. '*shell bank*' shall mean a bank whose management and operations have no physical presence in a country in which it is registered and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision.
 - 3.1.8. '*customer*' shall mean a person who is using services provided by the entities described in Paragraph 4.1;
 - 3.1.9. '*asset*' is defined as pursuant to Article 83 of the Civil Code of Mongolia.
 - 3.1.10. '*proceeds of crime*' is defined as pursuant to Paragraphs 7.5. Part 2 of the Criminal Code.
 - 3.1.9. '*proliferation financing*' shall mean the acquisition, possession or use of an asset directly or indirectly, knowing that they are intended to be used in processing, producing, storing, acquiring and selling chemical and biological weapons or weapons of mass destruction or raw materials, parts, equipment, and technology of such weapons prohibited by international decree of Mongolia.
 - 3.1.10. '*assets and income earned from committing a crime*' shall mean specified in Paragraph 7.5.2 of the Criminal Code.
 - 3.1.11. '*financing the proliferation of weapons of mass destruction*' shall mean as stated in Section 3.1.20. of the Law on Combating and Proliferation of Weapons of Mass Destruction and Terrorism.
 - 3.1.12. '*dealers of precious metals, precious stones and sellers of jewelry*' shall mean a person engaged in the commercial activity of selling and buying precious metals, precious stones, of jewelry.
 - 3.1.13 '*managing of client's assets*' shall mean using, owning and administering client's assets on behalf of a client.
 - 3.1.14. '*financial advisory services*' shall mean tax advisory services and audit certification services.

CHAPTER TWO. PREVENTATIVE MEASURES

Article 4. Reporting entities

- 4.1. The following entities shall report to the Financial Information Unit described in Paragraph 16.1 on transactions specified in Article 7 of this law:
 - 4.1.1. banks;
 - 4.1.2. non-bank financial institutions;
 - 4.1.3. insurance companies and insurance licensed entities;
 - 4.1.4. investment funds; investment management companies;
 - 4.1.5. licensed securities market entities;
 - 4.1.6. saving and credit cooperatives;
 - 4.1.7. real estate brokers in cases where any activity involving purchase or sale of immovable property is undertaken;
 - 4.1.8. dealers of precious metals and precious stones, or traders engaged in sales of those manufactured items if they have engaged in cash money transactions specified in Section 5.1.2. of this law
 - 4.1.9. notaries, lawyers, accountants and other financial management counsellors – when they are involved in the following activities on behalf of a customer:
 - 4.1.9.a. buying and selling of real estate;
 - 4.1.9.b. managing of client's assets;

- 4.1.9.c. management of bank, savings or securities accounts;
- 4.1.9.d. establishing a legal entity, conducting and managing its activities, or conducting and managing any specific activities on the basis of an agreement, or selling or purchasing a business entity;
- 4.1.9.e. creation, operation or management of legal persons or arrangements, and buying and selling of business entities.
- 4.2. Entities described in Paragraph 4.1 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.
- 4.3. Entities described in Paragraph 4.1 shall assess risk of money laundering or terrorist financing in relation to the following types of risks, taking into consideration specifics of the own activity and framework:
 - 4.3.1. customer risk;
 - 4.3.2. product and services risk;
 - 4.3.3. product and services delivery channel risk;
 - 4.3.4. geographic risk;
- 4.4. Documents and information used for assessing risks shall be retained according to Paragraph 8 of this law, in a way that they can be made available on a timely basis to a supervisor or a state inspector.

Article 4¹. Identifying the beneficial owner

- 4¹.1. The beneficial owners should be identified through the following steps:
 - 4¹.1.1. the identity of the natural persons who ultimately has a controlling ownership interest in a legal person solely or jointly with others;
 - 4¹.1.2. if Section 4¹.1.1 of this article cannot be identified then the identity of the natural persons exercising control of the legal person indirectly or represented own rights by others;
 - 4¹.1.3. if Sections 4¹.1.1 and 4¹.1.2 of this article cannot be identified then the identity of the relevant natural person, who holds the position of senior managing officials.
- 4¹.2. All other specific requirement should be regulated by regulation specified in Paragraph 5.14 of this law.

Article 5. Customer due diligence

- 5.1. Entities described in Paragraph 4.1 shall identify and verify customer information based on reliable official sources of information, documents and information sources in the following circumstances:
 - 5.1.1. prior to establishing a business relation;
 - 5.1.2. prior to conducting occasional transactions equal to or more than MNT20 million (or equivalent foreign currency) of the entity that has not established consistent business relations and has no permanent bank account;
 - 5.1.3. if the total sum of several inter-related transactions made within 24 hours is MNT20 million (equivalent foreign currency) or above even if the individual value of any of these transactions is less than the threshold specified in Section 5.1.2;
 - 5.1.4. if there are doubts about the authenticity and accuracy of previously obtained information on the customer;
 - 5.1.5. if there are grounds to suspect that the customer or the transaction is involved with money laundering or terrorism financing;
- 5.2. For the purposes of identifying and verifying customer information pursuant to Paragraph 5.1 entities described in Paragraph 4.1 shall undertake the following procedures:
 - 5.2.1. if a customer is an individual, entities shall request the customer's full name, date of birth, registration number, and a copy of identify card or passport (an officer who receives the information shall verify it with the original document and make a note about the authenticity free of charge), notarized copy of an identity card if delivered by post;

- 5.2.2. if a customer is a legal entity, request its name, address, national registration and tax payer number, contact phone number, a copy of its national registration certificate (an officer who receives the information shall verify it with the original document and make a note about the authenticity free of charge), notarized copy of the document if delivered by post and detailed information on its management;
- 5.2.3. For the purposes of understanding and knowing whether the account is opened and/or the transaction is conducted on behalf of a beneficial owner, entities shall clarify information on the nature of the business relationship, purpose and ultimate beneficiary of the transaction;
- 5.2.4. if a customer is a legal entity, entities shall identify full name of a beneficial owner, and take reasonable measures to verify the identity of the beneficial owner, and understand the ownership and control structure of that customer;
- 5.2.5. if a customer is a legal person or acting on behalf of or for a customer, entities shall verify that any person purporting to act on behalf of or for a customer is authorized, and shall identify full name and shall verify it with the original document of that person;
- 5.2.6. entities shall clarify full name, registration number, residential address, contact phone number and account number of a sender and a receiver of wire transfers between banks and other financial institutions.
- 5.3. Entities described in Paragraph 4.1 should assess risks and take enhanced due diligence measures for high risk customers; such measures shall be regulated by regulations specified in Paragraph 5.14 of this law.
- 5.4. Entities described in Paragraph 4.1 are obliged to refuse to provide service if a customer refuses to provide information as stipulated in Paragraph 5.2 and Paragraph 5.3.
- 5.5. The person specified in 4.1 of this law may, within the limits of provisions specified in Sections 5.2.1 and 5.2.2 of this law identify the customer in a simplified manner based on the risk assessment in accordance with the procedure/regulation set forth in Paragraph 5.14 of this law.
 - 5.5.1. if the customer is a public and local administration; public company listed on the stock exchange and subject to disclosure requirements of shareholder and beneficial owners;
 - 5.5.2. reporting entities with similar preventive measures requirements when dealing with each other.
- 5.6. Entities described in Section 4.1.1 shall obtain the following information prior to opening a correspondent account in a foreign bank to make international remittances, wire transfers, or payments:
 - 5.6.1. information to understand fully the nature of the bank's business;
 - 5.6.2. information about the reputation of the institution
 - 5.6.3. approval from senior management and communicate rights and responsibilities of the parties;
 - 5.6.4. information on the respondent's AML/CFT policies, internal monitoring programs;
 - 5.6.5. information whether the bank has been subject to or linked to money laundering and terrorism financing investigation or regulatory actions.
- 5.7. Entities described in Sections 4.1.1. to 4.1.7 shall be prohibited from the following:
 - 5.7.1. entering into correspondent banking relationships with shell banks;
 - 5.7.2. entering into correspondent banking relationships with banks that have relationships with the shell banks;
 - 5.7.3. continue correspondent banking relationship with shell banks, if it had previously entered into a relationship.
- 5.8. Entities described in Paragraph 4.1 shall regularly identify and assess the money laundering or terrorism financing risks in relation to the development of new products and new technology and undertake risk mitigation measures.
- 5.9. The following customers shall be viewed as high risk:
 - 5.9.1. politically exposed persons;
 - 5.9.2. natural and legal persons from countries identified by international AML/CFT

- organizations as not having adequate AML/CFT systems.
- 5.9.3. natural and legal persons conducting activities in sectors identified as high risk by the National Risk Assessment (NRA).
- 5.10. Wire transfers received, intermediary processed, and transferred by the entities described in Paragraph 4.1 of this law shall contain originator and beneficiary information. The financial institution should not execute the wire transfer if it does not comply with the requirements specified above.
- 5.11. Entities described in Paragraph 4.1 shall conduct ongoing due diligence as required by Article 5 and shall update the information on a timely basis.
- 5.12. If entities described in Sections 4.1.1. to 4.1.7 rely upon a third party to conduct customer due diligence measures shall be regulated by the regulation specified in Paragraph 5.14 of this law.
- 5.13. If entities described in Sections 4.1.1. to 4.1.7 rely upon a third party to conduct customer due diligence measures shall not be exempt from legal liabilities.
- 5.14. Preventive measures regulation shall be approved by the Governor of the Bank of Mongolia upon consulting with member of the Government in charge of finance, member of the Government in charge of legal affairs, Chair of the FRC, Chair of the Intelligence Agency. Preventive measures regulation shall contain the following measures:
- 5.14.1. measures to identify beneficial owners;
 - 5.14.2. requirements for customer due diligence measures;
 - 5.14.3. requirements for enhanced due diligence measures;
 - 5.14.4. requirements for when relying upon a third party to conduct customer due diligence measures;
 - 5.14.5. requirements for conducting risk assessment;
 - 5.14.6. details of AML/CFT internal procedures;
 - 5.14.7. measures to undertake in relation to sanctions listing;
 - 5.14.8. other related measures.

Article 6. Enhanced monitoring of transactions

- 6.1. Entities described in Paragraph 4.1 shall undertake enhanced monitoring of the following transactions:
- 6.1.1. transactions of unusually large amount;
 - 6.1.2. transactions that have no apparent economic or lawful purpose;
 - 6.1.3. transactions conducted in the name of a politically exposed persons;
 - 6.1.4. transactions made via countries that are defined by AML/CFT international organizations as the strategically deficient in anti-money laundering and combating the financing of terrorism regimes;
- 6.2. Entities described in Paragraph 4.1 shall undertake all possible measures to obtain additional information, explanations and examine purposes of transaction and business relationships of transactions specified in Paragraph 6.1 and findings shall be documented.

Article 6¹. Implementation of sanctions issued by the UNSCR and other relevant authorities

- 6¹.1. The person specified in Paragraph 4.1 of this law shall be prohibited to provide services to persons, legal entities, any group or associations included in the list specified in Sections 3.1.17 and 3.1.18 of the Law on Proliferation of Weapons of Mass Destruction and Combating Terrorism.
- 6¹.2. Entities specified in Paragraph 4.1 of this law shall without delay and without prior notice freeze relevant accounts and movement of assets of a person, legal entity, group or association belonging to the sanctions list and without a decision/approval of relevant authorities prohibit him/her from making transactions. The Intelligence Agency and the Financial Intelligence Unit shall be notified immediately.
- 6¹.3. Entities described in Paragraph 4.1 shall apply enhanced customer due diligence measures on customers from countries, regions with inadequate AML/CFT systems and if it necessary, shall apply appropriate countermeasures according to the law when called

- upon by international AML/CFT organizations.
- 6¹.4. Procedures for informing the sanctions list to reporting entities, its implementation, reporting actions and other measures specified in the law shall be regulated by the regulation specified in Paragraph 5.14 of this law.
- 6¹.5. Reporting entities shall report the information specified in Paragraph 61.2 of this law in accordance with the regulations/procedures set forth in Paragraphs 23.2 and 23.6 of the Law on Proliferation of Weapons of Mass Destruction and Combating Terrorism.

Article 7. Reporting of transactions

- 7.1 Entities described in Paragraph 4.1 shall submit a report about cash and foreign settlement transactions above MNT20 million to the Financial Information Unit within five working days in accordance with approved procedures and formats.
- 7.2. If entities described in Paragraph 4.1 suspects or knows that an asset, income or transaction, or attempted transaction is related to money laundering or terrorism financing, or is related to proceeds of crime it shall submit a Suspicious Transaction report to the Financial Information Unit within 24 hours in accordance with approved procedures and formats.
- 7.3. Entities specified in Paragraph 4.1 of this law and in Articles 13 and 14 of the Law on Proliferation of Weapons of Mass Destruction and Combating Terrorism shall submit information to the Financial Information Unit in electronic form in accordance with the information submission regulation and form. The Governor of the Bank of Mongolia shall approve the regulation on and form for submitting information to the Financial Intelligence Unit based on the proposal of the Cabinet member in charge of finance and budget, the Cabinet member in charge of legal affairs and the Chairman of the Financial Regulatory Commission.
- 7.4. Entities described in Paragraph 4.1 shall provide information on specific transactions and their participants to competent law enforcement authorities and anti-terrorism authorities in accordance with the dissemination regulation jointly adopted by the Governor of the Bank of Mongolia and the member of the Government in charge of legal affairs.
- 7.5. Entities specified in Paragraph 4.1 of this law may, when necessary, submit in paper form with the authorization of the Head of the Financial Information Unit.

Article 8. Record keeping of information and documentation of customers

- 8.1. Entities described in Paragraph 4.1 of this law shall retain information and records of transactions, accounts and information of customers obtained in accordance with Article 5 and 6 of this law for at least five years after the date of the transaction or the closure of the account.
- 8.2. Entities described in Paragraph 4.1 of this law shall keep records and information specified in Paragraph 8.1 of this law in a way that they can be made available on a timely basis to competent authorities.

Article 9. Suspicious transactions information

- 9.1. Suspicious transaction information sent to the Financial Information Unit shall contain following information:
- 9.1.1. name and addresses of the entities described in Paragraph 4.1 of this law 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 other participants of the transaction;
 - 9.1.4. brief explanation of grounds and circumstance to suspect the transaction;
 - 9.1.5. other related documents.
- 9.2. The Financial Information Unit shall have the right to request additional information, such as the account statement of the entity associated with suspicious transactions, copy of the documents used to open an account, and risk assessment documents of the customer.

Article 10. Monitoring of accounts

- 10.1. If there are grounds to suspect that an account of a customer or an entity described in Paragraph 4.1 of this law is used for money laundering and terrorism financing purposes the Financial Information Unit may monitor that particular account.

Article. 11. Asset suspension, freezing

- 11.1. If there are grounds to suspect that a transaction is used for the purposes of money laundering or terrorism financing the Head of the Financial Information Unit may suspend the transaction for up to three working days and a court shall extend the period if required.
- 11.2. The decision specified in Paragraph 11.1 of this law shall be forwarded to the reporting entity in writing but if this is impossible, the latter shall be notified by phone, to be followed by a written notice within 24 hours.
- 11.3. During the suspension of a transactions initiated in accordance with Paragraph 11.1 of this law, the Financial Information Unit shall undertake the following measures;
- 11.3.1. obtain necessary information from related local and foreign institutions;
- 11.3.2. if the established facts are sufficient to suspect that the given transaction had the purpose of money laundering or terrorism financing, then it shall be reported to the competent authorities and the related documents shall be sent to those parties for investigation;
- 11.3.3. if it is established that the given transaction did not have the purpose of money laundering or terrorism financing, then the suspension decision shall be annulled and the entity described in Paragraph 4.1 of this law shall be immediately notified.

Article 12. Exemption from liability

- 12.1. The submitting of reports by entities described in Paragraph 4.1 to the Financial Information Unit and competent authorities, in accordance with provision of this law, shall not be deemed as a breach of banking, professional, customer, business entity or organization, business or other secrecy confidentiality.
- 12.2. If information submitted by entities described in Paragraph 4.1 has not been proven to be related to money laundering and terrorism financing it shall not serve as grounds to impose civil, criminal and other liability on the person and entity submitting such an information.
- 12.3. Any harm, caused to a citizen or a legal person, whose specific transaction was suspended according to Article 11 of this law, shall not serve as grounds to impose civil, criminal and other liability on management and employees of entities described in Paragraph 4.1 of this law and on employees of the Financial Information Unit.
- 12.4. A matter of eliminating any harm caused to a person or legal entity due to unlawful actions undertaken by entities described in Paragraph 4.1 and Financial Information Unit, should be settled according to the related laws.

Article 13. Confidentially of information

- 13.1. Entities described in Paragraph 4.1. of this law, its management and employees shall not disclose any information related to the transaction reported to the Financial Information Unit to another entity other than those specified in Paragraph 7.4 of this law.
- 13.2. The head, supervisors, analysts and other officers of Financial Information Unit shall not disclose at any time confidential information related to customers' transactions other than for purposes authorized by this law even after the end of his/her tenure.

Article 14. Internal monitoring of reporting entities

- 14.1. The entities described in Paragraph 4.1 hereof shall have an Internal Monitoring and Risk Management Program aimed at combating money laundering and terrorism financing adopted by its Board of Directors or equivalent management body.
- 14.2. The Internal Monitoring and Risk Management Program of the entity described in

Paragraph 4.1 of this law shall comply with the scope of business, the specific features and structure of the entity and shall enable effective measures to reduce and prevent the risk of money laundering and terrorism financing.

- 14.3. The Internal Monitoring Program shall be implemented in the same way as the financial entities, branches and subsidiaries of entities specified in Paragraph 4.1 of this law.
- 14.4. The following shall be included in the Internal Monitoring Program:
 - 14.4.1 methodology for evaluating risks of money laundering and terrorism financing related to customers, products, services and delivery channels;
 - 14.4.2. procedures for high risk customers' customer due diligence;
 - 14.4.3. procedures for measures of mitigating risks of new technology and risks related to customers, products, services and delivery channels;
 - 14.4.4 procedures for customer due diligence and enhanced customer due diligence;
 - 14.4.5 procedures when relying upon a third party for customer due diligence;
 - 14.4.6. procedures for implementation of the sanctions issued by the UNSCR and relevant authorities;
 - 14.4.7. procedures for special monitoring;
 - 14.4.8. procedures for correspondent banking relations;
 - 14.4.9. procedures for money wire transfers and electronic payments;
 - 14.4.10. procedures for the detection of suspicious transactions, the confidentiality of information, reporting to the Financial Information Unit and other competent authorities, procedures for the transfer and retention of documents;
 - 14.4.11 procedures on the appointment and dismissal of employees in charge of implementation of the AML/CFT Law and the Internal Monitoring Program, its rights and obligations;
 - 14.4.12. internal training program to ensure implementation of the AML/CFT Law and other relevant regulations.
 - 14.4.13. other procedures and requirements necessary for implementation of this law and regulations issued in conformance with relevant laws.
- 14.5. The entity specified in Paragraph 4.1 of this law shall submit for registration the Internal Monitoring Program to the relevant supervisory body to which it belongs.
- 14.6. The entity specified in Paragraph 4.1 of this law shall monitor periodically the effectiveness of the Internal Monitoring Program through the board of directors and its committee or through the independent internal control unit.

Article 15. Transportation of cash across the borders of Mongolia

- 15.1. Travelers carrying more than MNT15 million or equivalent amount of foreign currency, bearer negotiable instruments, e-money across the Mongolian border shall declare faithfully in the customs declaration forms.
- 15.2. Mongolian Customs General Administration shall consolidate cash declarations made under Paragraph 15.1 of this law and transmit it to the Financial Information Unit every month according to the relevant regulations.
- 15.3. The format of declaration forms for the purpose of Paragraph 15.2 shall be approved by the Head of the Mongolian Customs General Administration in consultation with the Head of the Financial Information Unit.

CHAPTER THREE. RIGHTS AND RESPONSIBILITIES OF COMPETENT STATE AUTHORITIES

Article 16. Financial Information Unit

- 16.1. The Financial Information Unit is the autonomous and independent agency whose functions are to receive information related to money laundering, related crimes and financing of terrorism, information specified in Article 7 of this law from entities described in Paragraph 4.1, analyze them, and disseminate to the competent law enforcement authorities if transactions and transaction attempts are suspected to be related to money

- laundering and terrorism financing.
- 16.2. The Financial Information Unit shall be established alongside the Bank of Mongolia.
 - 16.3. The operation strategy and organizational structure of the Financial Information Unit shall be approved by the Head of the Financial Information Unit, budget of the Financial Information Unit shall be approved by the Governor of the Bank of Mongolia based on the proposals made by the Head of the Financial Information Unit.
 - 16.4. The Head of the Financial Information Unit shall be appointed and dismissed by the Governor of the Bank of the Mongolia in consultation with the head of the competent law enforcement authority.
 - 16.5. The Head of the Financial Information Unit shall meet the following requirements:
 - 16.5.1. at least five years of relevant professional experience in banking, finance or legal sector;
 - 16.5.2. have no outstanding liabilities according to loans and guarantee collateral agreements;
 - 16.6. The analysts and supervisors of the Financial Information Unit shall meet the following requirements:
 - 16.6.1. at least two years of relevant professional experience in banking, financial or legal sector;
 - 16.6.2. have no outstanding liabilities according to loan and guarantee collateral agreements;
 - 16.7. The Head of the Financial Information Unit shall be the senior state inspector, and supervisor and analyst shall be state inspectors of Financial Information Unit.
 - 16.8. The Governor of Bank of Mongolia shall appoint the senior state inspector and the senior state inspector shall appoint the state inspector.
 - 16.9. The Head, supervisors, and analysts of the Financial Information Unit shall have the power to conduct supervision, and obtain information from government agencies for the purposes of performing duties prescribed in law, when required.
 - 16.10. The Head of the Financial Information Unit shall approve the regulation and guidance related to the internal activities of the Financial Information Unit.

Article 17. Function of competent law enforcement authority

- 17.1. The representatives of the competent law enforcement authority should be seconded in the Financial Information Unit.
- 17.2. The representatives of the competent law enforcement authority shall have the right to conduct supervision and obtain information pursuant to Paragraph 16.9 of this law.
- 17.3. The representatives under Paragraph 17.1 of this law shall be appointed and dismissed by the Head of the Financial Information Unit in consultation with the head of the competent law enforcement authority.
- 17.4. Joint working groups of the Financial Information Unit and competent law enforcement authority can be established, when required.

Article 18. Functions of the Financial Information Unit

- 18.1. The Financial Information Unit shall have the following functions, in addition to those provided in Articles 10 and 11 of this law:
 - 18.1.1. to receive, collect, and analyze information reported from entities described in Paragraph 4.1 of this law as well as information in databases of relevant local and foreign institutions;
 - 18.1.2. if there are sufficient grounds to suspect that the given transaction had the purpose of money laundering or terrorism financing, then it shall be disseminated to the competent law enforcement authorities and anti-terrorism agencies according to the regulations and to compile a database on reports of suspicious, cash and non-cash transactions submitted to the competent authorities;
 - 18.1.3. to provide on a timely basis general information on due diligence conducted on suspicious transactions and on the general types and methods of those transactions in order to support the detection and reporting of suspicious transactions by reporting entities;

- 18.1.4. develop and provide a methodology to monitor and detect suspicious transactions and examine information related to money laundering and terrorism financing and monitor its implementation by the entities described in Paragraph 4.1;
 - 18.1.5. to enhance public awareness to combat and prevent money laundering and terrorism financing;
 - 18.1.6. to inform the reporting entities about the sanctions list and organize the implementation thereof;
 - 18.1.7. to present consolidated statistics about supervision, to perform supervision and to request performance of supervision related to enforcement of the AML/CFT law;
 - 18.1.8. To organize national risk assessments of AML/CFT, to draft national strategy based on risk assessment, and to present it for consideration to the Cooperation Council;
 - 18.1.9. To organize measures to implement recommendations issued by international AML/CFT organizations.
- 18.2. The supervisors of the Financial Information Unit shall have the power to examine the compliance of the laws to combat money laundering and terrorism financing and to require rectification of any breaches of this law by entities described in Paragraph 4.1, or to make recommendations to the competent authorities for further action including the cancellation of special licenses.
 - 18.3. Financial Information Unit shall monitor how entities described in Paragraph 4.1 and their officers fulfil their obligations imposed by this law.
 - 18.4. The Financial Information Unit shall submit an annual report of its activities on a yearly basis to the Financial Stability Council.
 - 18.5. The Financial Information Unit shall have the right to obtain information from state registration, property registration, social insurance registration, border crossing registration, investment registration, records of transactions between banks financial institutions, tax collection records from competent authorities for the purposes of performing duties prescribed in this law.
 - 18.6. The Financial Information Unit shall cooperate with the competent authorities in the field of preventing the proliferation of weapons of mass destruction and combating money laundering and terrorist financing, exchange information, and provide support and assistance in the investigation and prosecution of crimes.

Article 19. Monitoring and ensuring compliance of reporting entities

- 19.1. The Bank of Mongolia shall ensure compliance with obligations of entities specified in Section 4.1.1 of this law, and ensure their implementation. The Financial Regulatory Commission shall ensure compliance with obligations of entities specified in Sections 4.1.1. to 4.1.8. of this law, and ensure their implementation.
- 19.2. Competent authorities specified in Paragraph 19.1 of this law and the Financial Information Unit shall take the following actions in relation to monitoring compliance with this law:
 - 19.2.1. perform on-site and off-site supervisions, to issue guidelines, regulations and recommendations and inspection directives for entities specified in Paragraph 4.1 of this law;
 - 19.2.2. obtain the documents, reports, information and explanations for the purpose of ensuring the implementation of the obligations of this law from entities specified in Paragraph 4.1 of this law;
 - 19.2.3. set requirements for significant shareholders, sources of share capital, executive management and staff;
 - 19.2.4. if the participating financial company in the group is registered or located in another country, the agency responsible for the relevant inspection shall cooperate with the competent authorities of that country by signing a memorandum of understanding and agreement, for exchange information and joint supervision;
 - 19.2.5. competent authorities in charge of the relevant supervision of entities specified in Paragraph 4.1 of this law shall cooperate with each other in and with the Financial

- Information Unit, to ensure unity of inspection activities;
- 19.2.6. publicize and maintain statistics concerning measures adopted and sanctions imposed in enforcing this law;
 - 19.2.7. conduct joint supervision with the Bank of Mongolia, the Financial Regulatory Commission and the member of the Government in charge of finance if they deem necessary to monitor the implementation of the law within the financial group;
- 19.3. The entities specified in Paragraph 4.1 of this law and their competent officers and staff shall provide inspectors with the conditions to practice their powers and conduct the supervisory process independently and autonomously.
 - 19.4. If deemed necessary the Financial Information Unit can conduct joint supervision of entities described in Paragraph 4.1 with authority described in Paragraph 19.1 of this law.

Article 20. Database

- 20.1. The Financial Information Unit shall have a unified database of information compiled in accordance with the provisions of this law.
- 20.2. The regulation on storage and use of information in the database described in Paragraph 20.1 shall be approved by the Head of the Financial Information Unit.

Article 21. Cooperation with similar foreign institutions

- 21.1. The Financial Information Unit should cooperate with foreign and international organizations with similar functions and of the same level of confidentiality requirements in accordance with respective legislation.
- 21.2. The Financial Information Unit may provide required information at the request of the institutions described in Paragraph 20.1 and in accordance with the respective laws.

CHAPTER FOUR. MISCELLANEOUS

Article 22. Cooperation Council

- 22.1. The Cooperation Council, with function to ensure the implementation of laws related to combating the money laundering and terrorism financing, exchange information, mitigate risk and prepare recommendations on preventative measures shall be established at the Financial Information Unit.
- 22.2. The Cooperation Council shall consist of representatives of ministries in charge of foreign relations, finance, justice, prosecutor's office, Bank of Mongolia, Financial Regulatory Commission, law enforcement authorities, organizations responsible of combating terrorism financing, taxation and custom authorities and the Financial Information Unit.
- 22.3. The functions of secretariat of Cooperation Council shall be implemented by the Financial Information Unit.
- 22.4. The regulation, composition and management of the Cooperation Council shall be approved by the Governor of the Bank of Mongolia.

Article 221. National Committee

- 221.1. The National Committee shall be established with the function to develop a national AML/CFT programme to be approved by the Government and to take policy measures to implement it. The Government shall approve the governing person and the structure of the Committee based upon nominations by the Prime Minister.
- 221.2. The National Council shall consist of representatives from the Prosecutor's Office, the Bank of Mongolia, the Financial Regulatory Commission, the State Central Administrative Body responsible for finance, legal and foreign affairs, law enforcement and anti-terrorist agencies, tax and customs authorities, and the Financial Information Unit.

Article 23. Liability for breach of this law

- 23.1. Liabilities in accordance with respective laws shall be imposed on those who breach this law.

- 23.2. If a violation of this law and regulations issued conform to this law; possible violation is discovered during supervision; non-compliance with the term of the license is not a criminal offense public official of the competent authorities described in the Paragraph 19.1 of this law shall impose following rectification measures;
- 23.2.1. rectification warning notice, rectification orders with deadlines;
 - 23.2.2. assign tasks to entities described in Paragraph 4.1 of this law to improve, strengthen structure, operations, risk management, and internal monitoring;
 - 23.2.3. suspend or partially or completely restrict, terminate, suspend or revoke the license of entities specified in Paragraph 4.1 of this law;
 - 23.2.4. issue orders to cancel, suspend and change of the high-level management officials of the entities described in Paragraph 4.1 of this law.
- 23.3. If the officials do not comply with the rectification measures described in Paragraph 23.2 of this law, sanctions imposed under the Law on Infringement should be used.

Article 24. Coming into force

- 24.1. This law shall come into force on 31 May, 2013.

Z. Enkhbold

Chairman, State Great Khural