



**AMENDMENTS TO THE ACCOMPANYING LAWS (IN
RELATION WITH THE LAW ON VIRTUAL ASSET SERVICE
PROVIDER)**

INTERNATIONAL COOPERATION DEPARTMENT

DECEMBER 2021

LAW OF MONGOLIA

DD/MM/2021

Ulaanbaatar city

AMENDMENT TO THE LAW ON THE LEGAL STATUS OF FINANCIAL REGULATORY COMMISSION

Article 1. Insert the following Sections in the *Law of the Legal Status of Financial Regulatory Commission*:

1. In Article 3, insert Section 3.1.11: '*3.1.11. Virtual asset service provider activities specified in the Law on Virtual Asset Service Provider*'
2. In Article 6, insert Section 6.1.12: '*The Regulation on Sandbox Environment shall be co-approved, co-implemented and co-monitored by the member of the Government in charge of finance and budget, and the Governor of the Bank of Mongolia. The Regulation on Sandbox Environment regulates the creation and implementation of a sandbox environment for testing financial technology products, services, business modules; and developing respective organizational unit and council of the sandbox*'.
3. In Article 6, insert Section 6.2.8: '*6.2.8. on virtual asset service providers' activities defined in the Law of Virtual Asset Service Provider;*'

Article 2. In the *Law of the Legal Status of Financial Regulatory Commission*, insert '*registered entity*' after '*license holder*' in Paragraphs 24.1 and 24.4 of Article 24, in Paragraph 26.3 of Article 26, in Paragraphs 27.2 and 27.3 of Article 27, and in Paragraph 36.1 of Article 36.

Article 3. In the *Law of the Legal Status of Financial Regulatory Commission*, amend Section 25.1.8 of Article 25 as the following text:

'25.1.8. submit a proposal for revoking a license, or deregistering, to the Financial Regulatory Commission, if a license holder or registered entity has seriously and/or repeatedly violated the legislation;'

Article 4. In the *Law of the Legal Status of Financial Regulatory Commission*, the numbering of Article 3.1.11 shall be changed to ~~Article 3.1.12~~. The term '*license holder*' in Article 6 Section 6.1.4, Article 24, Article 25 Section 25.1.1, Section 25.1.6, and Article 26 Section 26.1.1 shall be changed to '*license holder and registered entity*'. The term '*license holder*' in Article 6 Section 6.1.5, Article 25 Paragraph 25.2, and Article 26 Paragraph 26.2 shall be changed to '*license holder and registered entity*'. The term '*license holder*' in Article 26 Section 26.1.2, and Article 27 Paragraph 27.1 shall be changed to '*license holder and registered entity*', the term '*in Section 4.1.8*' stated in Section 6.1.11 of Article 6 shall be changed to '*in 4.1.8 and 4.1.10*' respectively. Article 20 Section 20.1.2 shall be changed to '*license holder and registered entity*' respectively.

Article 5. This amendment shall come into force upon the *Law on Virtual Asset Service Providers* becomes effective.

Signature

LAW OF MONGOLIA

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AMENDMENT TO THE CRIMINAL CODE

Article 1. Add Paragraphs 18.19 and 18.20 to Chapter Eighteen of the Criminal Code with the following content:

Paragraph 18.19. Illegal use of internal information of virtual asset service providers

1. Participation in the trading of virtual assets using undisclosed internal information that affects the value of the virtual assets, or transfer internal information to others, shall be punishable by a fine in the amount of 2,700 to 10,000 units, or a movement ban for a period of six months to two years, or imprisonment for a term of six months to two years.
2. If the crime is committed:
 - 2.1 by a group; or/and
 - 2.2 under abuse of authority, the punishment shall be imprisonment for a term of two to eight years.
3. If the crime is committed by an organized criminal group, punishment shall be imprisonment for a term of five to 12 years.
4. If this crime is committed on behalf of a legal entity or in the interests of a legal entity, the legal entity shall be punished by deprivation of the right to conduct certain types of activities and a fine of 10,000 to 80,000 units.

Paragraph 18.20. Abuse of exchanges on virtual asset service providers

1. Fraudulent use of virtual assets for the purpose of fraudulent trading of virtual assets, price manipulation, to deceive, to engage and exclude participants and customers in the trading, shall be punishable by a fine of MNT2,7000 to 10,000 or six months to two years of travel ban, or by imprisonment for a term of six months to two years.
2. If the crime is committed:
 - 2.1.1 by a group; or/and
 - 2.1.2 under abuse of authority, punishment shall be imprisonment for a term of two to eight years.
3. If the crime is committed by an organized criminal group, punishment shall be imprisonment for a term of five to 12 years.
4. If this crime is committed on behalf of a legal entity or in the interests of a legal entity, the legal entity shall be punished by deprivation of the right to conduct certain types of activities and a fine of 10,000 to 80,000 units.

Explanations

'Fraudulent trading' means the sale or purchase of certain virtual assets at a similar level through deceptive transactions and collusion, in which the owner of a particular virtual asset has not changed, in order to mislead virtual market participants and customers.

'Price manipulation' means two or more transactions aimed at raising, decreasing or

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maintaining the exchange rate in order to create conditions for other persons to buy, not buy, order or not order certain virtual assets.

'*Intervention in participation or non-participation of participants and customers*' means unrealistic, misleading, or false statements, promises, speculations, publication, concealment of important facts, false statements about actual facts, and so on. misleading the other party to the transaction by using methods, tools and equipment.

Article 2. This amendment shall come into force upon the *Law on Virtual Asset Service Providers* becoming effective.

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LAW OF MONGOLIA

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AMENDMENT TO THE LAW ON INFRINGEMENT

Article 1. In the *Infringement Law*, add Paragraph 11.33 as follows to Article 11: Paragraph 11.33. Violations of *Law on Virtual Asset Service Providers*

1. If virtual asset services have been provided without registration, items used in the offense shall be confiscated and a person shall be fined for 20,000 units and a legal entity shall be fined 200,000 units;
2. If a virtual asset service provider fails to continuously provide conditions for its customers to transact, transfer, trade, store and manage virtual assets related to the service, the legal entity shall be fined by 10,000 units;
3. If a virtual asset service provider, related persons, the governing persons and employees fail to provide the information specified in the *Law on Virtual Asset Service Providers* to the Financial Regulatory Commission and their supervisor uninterruptedly, completely and accurately, they shall be punishable by a fine equal to 1,000 units for a person, and 10,000 units for a legal entity;
4. If a virtual asset is offered to the public without transferring it to a company registered as a virtual asset service provider, the items used in the violation shall be confiscated and a person shall be fined MNT20,000 and a legal entity shall be fined MNT200,000.
5. Failure of a virtual asset service provider, its authorized official and related person to comply with the requirements set forth in this law, or failure to fulfill its obligations, shall be punishable by a fine of MNT2,000 for a person or MNT20,000 for a legal entity.

Article 2. This amendment shall come into force when the *Law on Virtual Asset Service Providers* becomes effective.

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AMENDMENT TO THE INFRINGEMENT PROCEDURE CODE

- Article 1.** Add '11.33,' after the term '11.30', add '10.1' after the term '2, 4, 5' in Paragraph 1.8, and Article 6, Paragraph 6.18 of the *Infringement Procedure Code*.
- Article 2.** This amendment shall come into force when the *Law on Virtual Asset Service Providers* becomes effective.

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AMENDMENT TO THE LAW ON CIVIL SERVICE

Article 1. Add the following paragraphs 57.14 and 57.15 to Article 57 of the *Law on Civil Service*:

' 57.14. If it is necessary to employ a highly skilled and specialized person in the field of information technology in a civil service position category, the Government shall determine the salary coefficient and hierarchy of the position.

57.15. The Government shall set the list of state organizations to apply salary coefficients and levels specified in 57.14 of this law, and the maximum number of employees to work in the field of information technology in that organization.'

Article 2. This amendment shall come into force when the *Law on Virtual Asset Service Providers* becomes effective.

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AMENDMENT TO THE GENERAL LAW OF TAXATION OF MONGOLIA

Article 1. In the *General Law of Taxation of Mongolia*, add Section 34.13.4 as follows to Article 34:

'34.13.4. Information related to the registration and change of the virtual asset service provider from time to time.'

Article 2. This law shall enter into force on the date of entry into force of *Law on Virtual Asset Service Providers*.

Signature

LAW OF MONGOLIA

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**AMENDMENT TO THE LAW ON ANIT-MONEY LAUNDERING AND
COMBATTING THE FINANCING OF TERRORISM**

- Article 1.** In the Law on Anti-money Laundering and Combating the Financing of Terrorism, add Section 4.1.10 of '*4.1.10 Virtual asset service provider*' in Article 4.
- Article 2.** In the *Law on Anti-money Laundering and Combating the Financing of Terrorism*, term '*in 4.1.7*' shall be changed to '*4.1.7 and 4.1.10*' defined in Paragraph 5.7, Paragraph 5.12, of Paragraph 5.13 of Article 5; term '*and foreign settlement*' shall be changed to '*foreign settlement and virtual assets*' defined in Paragraph 7.1 of Article 7; and term '*in 4.1.8*' shall be changed to '*4.1.8 and 4.1.10*' defined in Paragraph 19.1 of Article 19.
- Article 3.** This amendment shall come into force when the Law on Virtual Asset Service Providers becomes effective.

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AMENDMENT TO THE LAW ON PROCUREMENT OF GOODS, WORKS AND SERVICES WITH STATE AND LOCAL FUNDS

Article 1. In the Law on Procurement of Goods, Works and Services with State and Local Funds, add Paragraph 3.12 as follows to the Article 3:

'3.12. This law shall not apply to hiring a person specialized in the implementation of supervision and consulting services specified in the Law on Virtual asset service providers by the Financial Regulation Commission.'

Article 2. This law shall enter into force on the date of entry into force of Law on Virtual Asset Service Providers.

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LAW OF MONGOLIA

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AMENDMENT TO THE LAW ON STATE STAMP DUTIES

Article 1. In the Law on State Stamp Duties, add the following provisions:

1/ Section 5.1.47 of Article 5:

'5.1.47. to register with the Financial Regulatory Commission as virtual asset service provider.'

2/ Section 19.1.10 of Article 19:

'19.1.10. for registering to engage in activities specified in Sections 6.1.1-6.1.4 of the Law on Virtual Asset Service Provider- MNT50,000,000 for each activity, and activity specified in Section 6.1.5 of the Law on Virtual Asset Service provider MNT100,000,000.'

Article 2. The title of Article 19 and provision of Paragraph 19.1 of the Law on State Stamp Duty shall be amended from *'to issue'*, to *'to issue and register'*.

Article 3. This law shall enter into force on the date of entry into force of Law on Virtual Asset Service Providers.

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AMENDMENT TO THE LAW ON VALUE-ADDED TAX

Article 1. In the Law on Value-added Tax, add Section 13.5.20 as follows to Article 13: *'13.5.20. virtual asset service.'*

Article 2. This law shall enter into force on the date of entry into force of the Law on Virtual Asset Service Providers.

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LAW OF MONGOLIA

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AMENDMENT TO THE LAW ON ACCOUNTING REGISTRATION

Article 1. In Section 4.2.7 of the Law on Accounting, the term '*fund*' shall be changed to '*fund and virtual asset service provider*'.

Article 2. This law shall enter into force on the date of entry into force of Law on Virtual Asset Service Providers.

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AMENDMENT TO THE LAW ON ADVERTISING

Article 1. Add to Section 17.3 of the Law on Advertising the following content:

17.3 The following shall be prohibited in ordering, creating, using and disseminating data and indicators related to the activities of the virtual asset service provider and advertisements related to virtual assets:

17.3.1 use data and indicators that are not directly related to the advertised virtual asset;

17.3.2 introduce to the public incomplete, false and misleading information in the introduction and information on virtual assets to be offered and sold to the public, or to advertise the restricted virtual property;

17.3.3 make assumptions and make promises about the benefits and returns to be gained from possession of virtual assets and participation in trading;

17.3.4 advertise on offering and selling virtual asset to the public by a person who is not registered as a virtual asset service provider in accordance with the law;

17.3.5 advertise virtual assets in the same way as securities, company shares and other financial instruments and services. '

Article 2. In the title of Article 17 of the Law on Advertising, after the word 'operations', add 'virtual assets'.

Article 3. This law shall come into force from the date of entry into force of the Law on Virtual Property Service Providers.

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DRAFT 18 NOV 2021

Law of Mongolia

Date: / / /

Ulaanbaatar

ABOUT AMENDMENTS TO THE CRIMINAL PROCEDURE LAW OF MONGOLIA

- I. To add '**Paragraph 18.19** *Illegal use of internal information of virtual asset service*'; and '**Paragraph 18.20** *Misuse of the virtual asset market*' after the words '**Paragraph 18.6** *Money laundering*' in Paragraph 6.1, (Section 6.1.2) of the *Criminal Procedure Law of Mongolia*.
- II. This law shall come into force from the date of entry into force of the *Law on Virtual Asset Service Providers*.

Signature