



UNOFFICIAL TRANSLATION

MONGOLIA

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Government House, Ulaanbaatar

LAW ON SAVINGS AND LOAN COOPERATIVE

CHAPTER ONE

GENERAL PROVISIONS

Article 1 .Purpose of the law

1.1.The purpose of this Law is to determine legal and regulatory framework of Savings and CreditCooperatives and to regulate the relations relevant operations of Savings and CreditCooperative.

Article 2.Legislation of Savings and CreditCooperative

2.1. Legislation of Savings and CreditCooperative is comprised of the “Constitution of Mongolia”, “Civil Code”, “Law on deposit, loans and banking transactions of the bank and other authorized entities” and other relevant legislative acts.

2.2. If an international treaty which Mongolia has joined stipulates otherwise, then the provisions of the international treaty shall prevail.

Article 3. Definitions of the terms

3.1.In the Law, the following terms shall have the following meanings:

3.1.1.“Savings and CreditCooperative ” is non profit legal entity with democratic governance and supervision, which provide licensed savings and loan services to meet common economic and social and cultural needs of the members;

3.1.2.“Equity of Savings and CreditCooperative” is the difference of assets and liability or sum of share capital of members, reserve fund, other funds, donations and sum of accumulated income;

3.1.3.“Share capital of members of Savings and CreditCooperative” is a cash capital invested in accordance to the particular cooperative charter bylaw of joining to Savings and CreditCooperative as a member;

3.1.4. "Common interest body" is a body which has common personal interest with member, the Board of Directors, the Supervision Committee, the Loan Committee, the executive director and the staff of the Savings and Credit Cooperative on capital and family relatives.

Article 4. Operational principles of the Savings and Credit Cooperative

4.1. The following principles apply to the operations of the Savings and Credit Cooperatives:

- 4.1.1. Volunteer membership;
- 4.1.2. Democratic governance, members supervision, and transparency
- 4.1.3. Inclusive economic participation and fair distribution;

- 4.1.4. Independency;
- 4.1.5. Members and staff training and information sharing;
- 4.1.6. Protection of members' common social interest;

- 4.1.7. No discrimination;
- 4.1.8. Financial sustainability;
- 4.1.9. Cooperation with other Savings and Credit Cooperative.

CHAPTER TWO

ESTABLISHMENT OF THE SAVINGS AND CREDIT COOPERATIVE

Article 5. Establishment of the Savings and Credit Cooperative

5.1. A citizen of Mongolia can establish a Savings and Credit Cooperative.

5.2. Decision shall be made about founding meeting if founders shall meet the following requirements:

- 5.2.1. The number of founding members reached 20;
- 5.2.2. The charter bylaw of Savings and Credit Cooperative is drafted in compliance with relevant laws;
- 5.2.3. Savings and Credit Cooperative shall accumulate in cash more than 30% of the agreed total share capital.

Article 6. Founding agreement of the Savings and Credit Cooperative

6.1. The following elements shall be included in the founding agreement:

- 6.1. Last and first names of the founding member, address, national ID and the registration number and current job position;
- 6.1.2. Given name of the Savings and Credit Cooperative;
- 6.1.3. Address and location of the Savings and Credit Cooperative;

6.1.4. Rights and obligations of the founding members of Savings and Credit Cooperative;

6.1.5. Amount of the contributions of the founding members to share capital and rights for expenditure;

6.1.6. Resolution of disputes between the founding members of the Savings and Credit Cooperative.

Article 7. Operational report for establishment of the Savings and Credit Cooperative

7.1. The following documents shall be included in the Operational report for establishment of the Savings and Credit Cooperative:

7.1.1. Information about the share capital amount of the founding members and the equity of the Savings and Credit Cooperative:

7.1.2. Rights and obligations of the founding members to be transferred to the Savings and Credit Cooperative and its relevant documents.

Article 8. Founding meeting of the Savings and Credit Cooperative

8.1. The founding members prescribed the Provision 5.2 of this Law can organize a meeting about establishment of the Savings and Credit Cooperative .

8.2. The founding meeting shall be validated by participation of the all founding members.

8.3. The meeting chairman and secretary shall be elected by majority vote of the attendees of the meeting.

8.4. The Chairman of the founding meeting of the Savings and Credit Cooperative shall define the meeting procedures in a trustworthy and transparent manner through the discussion and chair the meeting.

8.5. The following issues shall be discussed at the founding meeting and decided by the majority vote:

8.5.1. Whether the Savings and Credit Cooperative established or not;

8.5.2. Draft charter bylaw of the Savings and Credit Cooperative;

8.5.3. Election of the members for the Board of Directors and the Supervision committee.

8.6. The minutes shall be taken during the founding meeting and shall be verified by the signatures of the meeting chairman, the secretary and the founding members.

8.7. The minutes of the meeting shall be included the following elements:

8.7.1. Date of the meeting ;

8.7.2. Last and first names of the founding members;

8.7.3. Attendance of the meeting ;

8.7.4. The Meeting agenda, discussion issues and comments, percentage of the votes and decisions.

8.8. The decision of the establishment of the Savings and Credit Cooperative shall be issued as a resolution.

8.9. The founding members shall submit the operational report and mobilized share capitals to the Board of directors within five business days after the founding meeting of the Savings and Credit Cooperative.

8.10. The Board of directors shall receive documents and capital prescribed the Provision 8.9 of this Law and submit documents to the State legal entity registration in compliance of the Law on State Registration of legal entities within timeframe prescribed in the law.

Article 9 .Charterbylaw of the Savings and CreditCooperative

9.1. The charterbylaw of the Savings and CreditCooperative is a main regulatory document for its operation and it shall comprise from the following elements:

9.1.1. Name and address of the Savings and CreditCooperative;

9.1.2. If the Savings and Credit Cooperative is established for limited period of time, the term shall be included;

9.1.3. Types of activities ;

9.1.4. Conditions and requirements for membership and rights, obligations liability of the active and the inactive members;

9.1.5. Engage, suspend, restore, cease and dismiss of the membership for the Savings and credit cooperative;

9.1.6. Minimum amount of the share capital per member, and maximum amount of the share capital contribution per member within limit as prescribed Provision 43.2 of this law and transferring the share capital to others;

9.1.7. Authorities of the General meeting of the members, its procedure and voting;

9.1.8. Election of the members for the Board of directors and the Supervision committee and procedures for ceasing and dismiss;

9.1.9. Activities of the Board of directors, the Supervision committee and the Loancommittee;

9.1.10. Terms, authority and liabilities of the Board of directors, the Supervision committee and the Executivedirector;

9.1.11. Preparation of the annual and the quarterly reports and reporting to the General meeting of the members and the Supervision Committee;

9.1.12. Income distribution of the current year and system to recover the losses;

9.1.13. Establishment of the Reserve fund and its expenditure procedure;

9.1.14. Deposit protection and the Stabilization fund issues;

9.1.15. Maximum amount of loan per member and for bodies with common interest and liability for the member who has delinquent loans;

9.1.16. To open and close an account and information disclosure about account;

9.1.17. Regulation for operation with conflict of interest;

9.1.18. Restructuring and winding up the Savings and Credit Cooperative;

9.1.19. Amendments and changes to the charter bylaw;

9.1.20. Reporting and providing information of relevant decisions and current operations to the members and relevant parties;

9.1.21. Confidential information .

9.2. The charter bylaw of the Savings and Credit Cooperative may include issues otherwise prescribed the Provision 9.1 of this law in compliance of other legislative acts.

Article 10 . Registration of the Savings and Credit Cooperative in the State of legal entity registration

10.1. The Savings and Credit Cooperative shall apply for license to savings and loan activities for Financial Regulatory Commission / furthermore the Commission/ after registration of the Savings and Credit Cooperative in compliance of legislation in the State registration of the legal entities.

Article 11. Name of the Savings and Credit Cooperative

11.1. The Savings and Credit Cooperative shall have a given name and name shall be followed by "Savings and Credit Cooperative" in details or abbreviation as "SCC".

11.2. The Savings and Credit Cooperative shall not be named after any of its founding members or it is prohibited to use name and the abbreviation which express type and structure of the other legal entities.

11.3. It is prohibited for other legal entities to use the abbreviation with its name as prescribed the Provision 11.1 of this Law except the cooperative licensed for savings and loan activities.

11.4. The given name of the Savings and Credit Cooperative can be changed by the authorization of the Commission.

Article 12 . Location and address of the Savings and Credit Cooperative

12.1.If changes are made to the legal address of the Savings and Credit Cooperative, a written notice shall be submitted to the Commission and the State registration office of legal entities within 7 business days after the change is made.

CHAPTER THREE ACTIVITIES OF THE SAVINGS AND CREDIT COOPERATIVE

Article 13. Activities of the Savings and Credit Cooperative

13.1.The Savings and loan activities shall be conducted by the license of the Commission and in compliance with law and the relevant regulations, the procedures and the requirements.

13.2. The registration of the Savings and Credit Cooperative as a legal entity is a not the legal ground to conduct the savings and loan activities.

13.3.The Savings and Credit Cooperative can be established with term or with no term. If term is not stated in the charter bylaw of the Savings and Credit cooperative, it shall be considered as non-term cooperative.

13.4.The Savings and Credit Cooperative shall provide savings and loan services based on the license issued by the Commission.

13.5.The Savings and Credit Cooperative may provide other financial services authorized by the Commission that not prohibited by the laws.

13.6.The Savings and Credit Cooperative is prohibited to operate activities otherwise prescribed the Provision 13.4 and 13.5 of this Law.

13.7.The Savings and Credit Cooperative shall comply with the prudential ratio of loan and savings operations required by the Commission on a regular basis.

13.8.The Savings and Credit Cooperative shall cover the obligations due to its operations firstly with capital other than the members' share capital, and if that capital is not enough, it shall be covered by the share capital of the members.

13.9. The establishment of a branch of the Savings and Credit Cooperative shall be regulated by the regulation approved by the Commission.

13.10.The Savings and Credit Cooperative shall not bear responsibility for its members' duties for the others.

13.11.The Savings and Credit Cooperative shall not bear responsibility of the government for the others, and the government shall not bear responsibility of Savings and Credit cooperative for the others.

Article 14. Documents for obtaining a license

14.1.The Board of directors shall submit the following documents which verify the Savings and Credit Cooperative's compliance the requirements for providing

savings and loan services within 30 days after registration of the Savings and Credit Cooperative as a legal entity.

14.1.1. Application in accordance to the approved form by the Commission;

14.1.2. Legal Entity's certificate;

14.1.3. Decision of the founding members' meeting about the establishment;

14.1.4. Founding agreement made among the founders;

14.1.5. Information about the founders;

14.1.6. Charter bylaw of the Savings and Credit Cooperative;

14.1.7. Amount of equity of the Savings and Credit Cooperative;

14.1.8. Business plan;

14.1.9. Savings' procedure;

14.1.10. procedures of the loan and the loan committee;

14.1.11. Beginning balance sheet ;

14.1.12. Information about skills and profession of the members of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and the Accountant;

14.1.13. Information about operational risk mitigation procedures;

14.1.14. Other documents to verify compliance with other requirements prescribed in Provision 15.3 of this Law.

Article 15 . Licensing for Savings and Loan activities

15.1. The Commission shall make the decision on licensing after revision of the application and other relevant documents prescribed in Article 14 of this Law within 45 business days after receiving a complete documents.

15.2. The Commission shall determine the criteria and requirements for the activities prescribed the Provision 13.4 of the this law, shall issue the license, supervise compliance of the requirements, suspend, restore, and invalidate the license.

15.3. The Commission shall issue the license for Savings and Credit Cooperative which complied the following requirements and criteria:

15.3.1. Application and relevant documents are in compliance with the law and the legal acts;

15.3.2. The Board of directors, the Supervision committee, the Loan committee and its members, the executive director and the staff complied the legal requirements;

15.3.3. Consistent business plan of the operation, and included potential risk mitigation activities of the operation;

15.3.4. Complying the requirements and criteria prescribed the Provision 15.2 determined by the Commission, and requirements for the activities subject to the Provision 13.4 of this Law.

15.4.If Savings and Credit Cooperative is not complied the requirements prescribed the Provision 15.3 of thisLaw, the Commission shall not issue the license and response shall be given with justifications.

15.5.License shall be issued up to three years term and it shall be valid from the issued date.

15.6.If the applicant is not agreeing with the rejectionof the licensingby the Commission, the complaint shall be submitted to the Supervision Committee of the Commission within 15 business days.

15.7.If the complaint for the rejection was not submitted within determined period prescribed the Provision 15.6 of this law, missed the deadline for complaint submission, or not re-submitted an application within 15 business days after compliance submission,the Commission shallsubmit notice to liquidatingthe Savings and Credit Cooperativeor make changes to the state registration, and inform to the registration authority of legal entity about the change in the State Registration.

15.8.The Savings and Credit Cooperative shall be liquidated by the Court if it has not applied for a license within time frame prescribedthe Provision 14.1 without any reasonable reasons after the state legal entity registration, or authorized body of the Savings and Credit Cooperative not submitted a request for change for the legal entity registration.

15.9.The Commission shall invalidate the license of the Savings and Credit Cooperative if not operated licensed activities for one year of theafter licensing, or the operation had break for one year even being operated. The Savings and Credit Cooperative shall be liquidated by the Court based on the request of the Commission, if the Savings and Credit Cooperative did not re-submit its application after license invalidation within 3 months, or the Commission rejected to issue thelicense.

Article 16. Savings activities of the Savings and Credit Cooperative

16.1.The licensed Savings and Credit Cooperativeshalltake savings only from its members based on the written contract.

16.2. Savings policy of the saving service shall be approved by the General meeting of the members.

16.3.Mobilized savings shall not be included in equity of the Savings and Credit Cooperative. Savingsshall be prohibited to use as resource for other types of activities except loans and activities licensed by the Commission.

16.4.Member' savings can be used as a collateral for his/her loan.

16.5. Savings can be jointly owned, the charterbylaw of theSavings and Credit Cooperativeshallregulatewhether the shared owner is a member ofSavings and Credit Cooperative or not.

16.6. The Commission may determine limit of themaximumamount of savings to be mobilized per member.

16.7. Savings and Credit Cooperative shall provide security of its members' savings.

Article 17 . Loan activities of the Savings and Credit Cooperative

17.1. The Savings and Credit Cooperative shall provide loans only to its members in accordance of the this law, the charter bylaw and the loan policy of the Savings and Credit Cooperative.

17.2. The loan conditions such as loan size, loan purpose, types of loans, loan term and interest rate can be determined by the charter of Savings and Credit Cooperative and Board of Directors.

17.3. The Savings and Credit Cooperative shall bear the responsibility to monitor and supervise the quality of disbursed loans and in order to protect risks shall establish a loan provision fund in accordance to the relevant regulation and legislative acts.

17.4. The prudential ratio established by the Commission shall be followed for determining a size of loan for common interest bodies.

17.5. Unless the charter bylaw of Savings and Credit Cooperative otherwise provides, loans shall be guaranteed by collateral, guarantee and other legally authorized facilities

17.6. If disbursed loan as stated in the article 16.4 of the this law, the transaction from the savings account shall be limited by the loans outstanding amount.

17.7. It is prohibited to disburse loans by guaranteeing the share capital of the member.

17.8. Savings and Credit Cooperative shall make a loan contract in accordance to the Civil Code and additional interest¹ can be included in the contract prescribed Provision 452.2 of the Civil Code. The loan penalty² shall not be used in the loans disbursed by the cooperatives.

17.9. The members of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and the staff shall not take any privileges in receiving loans due to their positions.

17.10. The members of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and the staff shall not attend in the decision making of the loan if it discusses his/her application or application of his/her common interested bodies.

Article 18. Prohibited activities for the savings and loan operations

18.1. The following activities are prohibited for the savings and loan operations:

¹additional interest charge for late payment

² It is penalty due to the late loan repayment. By the Civil code the penalty consists from charge of profit loss and penalty.

18.1.1. To provide saving and lending operation if not licensed prescribed the Provision 13.4 of the this law, or after suspension and revocation of the license to provide saving and lending operation;

18.1.2. To provide loans for non member bodies and mobilize deposit from non member bodies;

18.1.3. To receive loans and capital with similar condition of the loan from the organizations except the banks, the financial institutions, projects and programs;

18.1.4. Sources of asset not stated in the financial statements of the Savings and Credit Cooperative shall not be utilized for deposit and loan operations;

18.1.5. To use the loan collateral for the purpose except the loan repayment;

18.1.6. To conduct any public advertisement and promotion about loan and saving interest, prediction about income and achievements of the saving and credit cooperative, or promise prize, income for purpose of increasing amount of saving mobilization;

18.1.7. In order to increasing amount of saving mobilization, to organize a lottery with any types of prize, and gambling among the members and the public.

18.1.8. To provide misleading information about the activities;

18.1.9 To make investment in legal entities;

18.1.10. To give donations for the member and the non member bodies if not approved by the General meeting of the members.

18.2. The information about the member of the Savings and credit cooperative shall not be disclosed to others except the following cases:

18.2.1. the member agreed ;

18.2.3. requested by the authorized bodies such as the Commission, the Court, the Police and the Procurator.

18.3. The disobedience of the Provisions 18.1 and 18.2 of the this law shall be legal ground to terminate and suspend the license of the Savings and credit cooperative.

18.4. The operation of disbursing loans and mobilizing savings from its members shall be prohibited for the Saving and Credit Cooperative from the day of suspension and revocation of the license. Receiving repayments from previously disbursed loans and to pay back current savings shall be allowed .

18.5. Savings and Credit Cooperative shall not provide salaries for members of Board of Directors, Supervision Committee and Loan approval committee and the expenses of the activities shall be reimbursed from a cooperative.

CHAPTER FOUR

MEMBERSHIP OF THE SAVINGS AND CREDIT COOPERATIVE

Article 15 . Membership of the Savings and Credit Cooperative

19.1. The Savings and Credit Cooperatives shall have none less than 20 members.

19.2. The member of the Saving and Credit Cooperative shall be a citizen of Mongolia, who has legal authority and a legal entity who complied requirements of the cooperative charter bylaw and this law.

19.3. The member of the Savings and Credit Cooperatives shall meet at least one of the following requirements;

19.3.1. Colleagues in the same organization or engage in business in the same trade center in the same district;

19.3.2. Members of the same association or union affiliated in similar activities /religious, social, cooperative, work, job or education group and etc./;

19.3.3. Live in the same aimag, district or city.

19.4. The Family members and relatives can hold a membership in the same Saving and Credit Cooperative. In this case, they shall inform the Savings and Credit Cooperative that they are a common interest body in advance.

19.5. Not more than 10% of the members can be legal entities.

19.6. The Savings and Credit Cooperative may prescribe other requirements in its charter bylaw in compliance with requirements prescribed Provisions from 19.1 to 19.4 of the this law.

19.7. If the total number of members does not reach the number indicated the Provision 19.1 of the this law, the Board of Directors shall call the General meeting of the members within 30 working days to discuss whether or not liquidate the cooperative.

19.8. The Saving and Credit Cooperative may take savings as a guarantee of the loan repayment if the member has any debt or not complied liability partially or fully. In this case, member's transactions shall be limited with the amount equals to the members liability.

Article 20 . Registration of members

20.1. The Board of Directors shall be responsible in registration and keeping records of the members, and in reliability of information. The changes shall be informed to the Commission within timeframes prescribed in the law.

20.2. If the charter bylaw prescribed, the authority of membership of the Savings and Credit Cooperatives shall commence when the minimum share capital is invested fully with the amount prescribed in the charter bylaw. In this case, the member shall invest its share capital within timeframe fully prescribed the charter bylaw.

20.3. The Savings and Credit Cooperative, the Board of Directors, the Executive Director and the staff shall provide accessibility for the member to his/her relevant information and membership registration documents.

Article 21 . Membership engagement

21.1. Unless the law otherwise provide, the Savings and Credit Cooperative shall set a requirements for its membership in the chapter bylaw.

21.2. An applicant for a membership shall submit its request to the Board of directors.

21.3. Unless the charter bylaw otherwise provides, the Board of Director shall make a decision about the applicant's membership within 30 days.

21.4. The Savings and Credit Cooperative shall not require any payments except the minimum share capital and the membership fee.

21.5. Complied the requirements prescribed in provision 20.2 of the this law.

Article 22. Withdrawal membership

22.1. The member may withdraw its membership from the Savings and Credit Cooperative voluntarily and member shall inform the Board of Directors in written format 30 days prior.

22.2. The Board of Directors shall close relevant accounts from the day which received a notice as indicated in Provision 22.1 of the this law, except when prescribed in Provision 25.2 of the this law.

22.3. If the member does not comply the requirements prescribed in Provision 19.2 of the this law, the member shall inform to the Savings and Credit Cooperative voluntarily and shall submit notice to withdraw its membership.

22.4. Non performance of duties stated in the article 22.3 of the this law will be a basis to withdraw his/her membership and the membership's privileges closes in a day when a member does not meet requirements stated in the article 22.3 of the this law.

Article 23 . Dismissal and suspension of the membership

23.1. Membership may be suspended or dismissed by the decision of the Board of Directors, if a member does not perform duties in compliance with the cooperative charter bylaw or any other relevant legislative acts and regulations, violated or disobeyed intentionally the contract, not invested required share capital, or ceased membership through transferring his/her authorities, obligations and share capital to other members or not re-applied to keep a membership within prescribed timeframes since deemed as the inactive member.

23.2. The Savings and Credit Cooperatives shall provide an opportunity for member subject to the Provision 23.1 of the this law to participate in the Board of directors meeting to discuss his/her membership.

23.3. If the member does not agree with the decision of the Board of directors about suspension and withdrawal of membership, the member can submit a complaint to the General meeting of the members.

23.4. A suspended member till decision of General Assembly shall not take rights stated in the this law and in chapter of Savings and Credit Cooperative.

Article 24 .Ceasing of membership authorities of the Savings and Credit Cooperative

24.1. The membership shall cease in the following cases:

24.1.1. Withdraw the member from the registration list by the approval of Board of Directors based on the member's request;

24.1.2. Changes made in the registration through transferring member's authority to others;

24.1.3. In case the Savings and Credit Cooperative not accept double membership or the member holds double membership in the other Savings and Credit Cooperative.

24.2. The membership shall be considered as ceased in the following cases:

24.2.1. Lost his/her full legal capability ;

24.2.2. Member passed away or considered as passed away;

24.2.3. Member legal entity liquidated or bankrupted

24.3. If the Savings and Credit Cooperative closed down the membership shall be ceased.

Article 25. To close an account for the ceased members

25.1. Except the share capital of the member, whose membership is ceasing, the members' accounts shall be closed within 30 days since the day membership ceased, or considered as membership ceased.

25.2. The share capital prescribed Article 24 of the this law and dividend of the financial year per member shall be transferred to the relevant body in accordance to the Civil Code.

25.3. If the share capital prescribed Provision 25.2 of the this law has no recipient, the share capital shall be allocated to the special account same as inactive member's capital, and shall be recorded in the financial statements and information.

25.4.A complaint, which is about closing down the accounts of the ceased members or considered as membership is ceased, may be submitted to the Court.

Article 26. The duties and rights of the members of the Savings and Credit Cooperative

26.1. The member of the Savings and Credit Cooperative shall have the following rights.

26.1.1. To attend for the General meeting of the members with voting right;

26.1.2. To propose to convene the General meeting of the members;

26.1.3 To elect and to be elected as member of the Board of Directors, the Supervision Committee and the Loan Committee;

26.1.4. To receive loans, to deposit savings and receive any other available services from its affiliated Savings and Credit Cooperative;

26.1.5. To appeal complaint to the Commission about illegal operations of the Board of Directors and the General meeting of the members;

26.1.6. To withdraw its membership;

26.1.7. To invest a capital within given limit in accordance of this law and the chapter bylaw of the Savings and Credit Cooperative and to receive dividend in proportion of his/her invested capital;

26.1.8. To receive capital in the proportion of his/her invested capital in case if cooperative is liquidated;

26.1.9. To transfer and inherit own shared capital in compliance of existing laws and regulations;

26.1.10. Other rights prescribed by the charter bylaw of the Savings and credit cooperative.

26.2. The member of the Savings and Credit Cooperative shall have the following responsibilities:

26.2.1. To participate in activities, to receive information about activities of the Savings and Credit Cooperative and to be introduced in a regular way with its current financial and economic situation, the quarterly and the annual financial statements, the decisions of the Board of Directors, the Supervision Committee and the operational report, the minutes of the General meeting of the members and the registration of the members ;

26.2.2. To invest share capital within prescribed timeframe;

26.2.3. To participate activities of the Savings and Credit Cooperative in person, to follow decisions made by the Board of Directors, the Supervision Committee and the Executive Director;

26.2.4. To comply duties of savings, loan and any other duties set in the contracts;

26.2.5.To inform changes in the information of the member's registration.

26.3. If the charter bylaw is not authorized, the member of the Savings and Credit Cooperative shall be prohibited to be a member of the other Savings and Credit Cooperative.

Article 27 .Liability ofthe member

27.1. If the member caused damage for the Savings and Credit Cooperative due to the violation of the this law, the charter bylaw, the procedures, the agreements or any other legislation, the member shall recover the member's private capital, and if the member was a legal entity, it shall be recovered by its equity.

27.2.If a cooperative is unable to pay its obligations for others, a member shall be responsible only for his/her contributed share capital to the cooperative. The member shall not take any responsibility for its private capital.

27.3If it is verified that profit, income and properties are transferred to others ownership or to joint-ownership in a purpose of avoiding not to recover damage for Savings and Credit Cooperativeor to obscure any illegal activities, the payment from the capital shall be repaid by the amount equals to damage.

27.4. Suspension and ceasing of the membership, subject to the Provision 27.1 of this law, shall not be legal ground to eliminate from the legal responsibilities if the membership.

CHAPTER FIVE

ADMINISTRATION AND INTERNAL CONTROL OF THE SAVING AND CREDIT COOPERATIVE

Article 28. Administration of a Saving and Credit Cooperative

28.1.The Savings and Credit Cooperative shall have the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and the staff.

28.2.TheSavings and Credit Cooperative may prescribe other administration unit on the its charter bylaw besides having structures prescribed article 28.1 of this law.

Article 29. The General Meeting of the members

29.1. The general meeting of the members shall be the superintendent body of theSaving and Credit Cooperative.

29.2.The general meeting of theSavings and Credit Cooperativeshall have following authorities:

29.2.1.toapprove, amend and change the charter bylaw of the Saving and Credit Cooperative;

29.2.2. to endorse organizational and administration structure of the Saving and Credit Cooperative and annual budget of the financial year;

29.2.3. to discuss and approve reports of the establishment and operations of the saving and credit cooperative;

29.2.4. to elect, discharge and dismiss the members of Board of directors and the Supervision committee;

29.2.5. to endorse policy of the savings and the lending operations;

29.2.6. to endorse internal procedure of the Board of directors, the Supervision committee, the Loan committee and other operations;

29.2.7. to deliberate complaints and comments of the members regarding the operations of the members of Board of Directors and the Supervision Committee;

29.2.8. to determine and modify the minimum and the maximum limitation of the share capital per member within prescribed restraint on the Provision 43.2 of this law;

29.2.9. to determine limitation of the operational expenditures and the amount of compensation of the Board of Directors, the Supervision Committee and the internal audit;

29.2.10. unless the laws otherwise provide, to resolve affiliation for the association of the Savings and Credit Cooperatives and withdrawal from it;

29.2.11. to approve development policy and business plan of the Savings and Credit Cooperative and ensure its implementation;

29.2.12. to endorse the annual financial statement and reports and make a decision to allocate annual surplus of the cooperative and recover losses

29.2.13. to define amount of the cooperative equity and reserve capital and make decision to compensate losses from the reserve capital;

29.2.14. to deliberate operational reports of the Board of Directors and the Supervision Committee;

29.2.15. to make the decision on reconstruction and liquidation;

29.2.16. other issues as prescribed laws and the charter bylaw.

29.3. The Supervision Committee shall report to the General Meeting of the members and the Extraordinary General Meeting of the members on the internal transparency of the Savings and Credit Cooperative compliance extent of the provisions of this law and the charter bylaw, operations of savings and lending, financial circumstance and compliance extent of the operational prudential standards determined by the Commission.

Article 30. Call the General Meeting of the members

30.1. The general meeting of the members shall be ordinary and extraordinary.

30.2. The Board of Directors shall endorse the decision to convene the General Meeting of the members.

30.3. The Extraordinary General Meeting shall be convened the decisions of the Board Directors and the Supervision Committee, or written proposals of the members at least 1/3 of the total members.

30.4. the proposal prescribed provision 30.3 of this law, shall be included justification of convening the Extraordinary Meeting of members and proposed agenda to be discussed.

30.5. The Extraordinary Meeting of members must be convened in the following cases:

30.5.1. to liquidate the Savings and Credit Cooperative;

30.5.2. deteriorated financial and settlement capability of the Savings and Credit Cooperative, and insolvency of institutional equity;

30.5.3. proposed to convene the General Meeting of the members by the authority bodies prescribed provision 30.3 of this law;

30.5.4. endorsed appeal by the Commission or the Court to convene the General Meeting of the members

Article 31. Convene the General Meeting of members

31.1. The General Meeting of the members shall be held within 1st April of the following year after the financial year end.

31.2. Notice of the General Meeting of members and outlines to be considered at the meeting shall be delivered to members at least 30 days prior to the meeting.

31.3. For the purpose of providing possibility to deliver announcement concurrently, the following approaches shall be used:

31.3.1. public media;

31.3.2. letter and other instruments defined by the charter bylaw of the Savings and Credit Cooperative.

31.4. The Board of Directors must convene the General Meeting within 30 business days after endorsement of the Board of Directors and the Supervision committee, submission of written proposal of 1/3 members to call an Extraordinary Meeting subject to Provision 30.3, or receiving appeal from the Commission or the Court to convene the Extraordinary General Meeting of members.

31.5. The Board of Directors may call the Extraordinary meeting any time if needed. Notice and outlines of the meeting shall be delivered 10 business days prior to the meeting.

Article 32. Quorum of the General Meeting of members and Decision Making

32.1. The notice of the meeting shall be distributed officially to members who have voting rights. The distribution information of the notice shall be introduced to the attending members of the meeting. The General Meeting shall be valid when attendance is none less than 50 percent of the total members if the Savings and Credit Cooperative have less than 100 members. If the Savings and Credit Cooperative has more than 101 members, the meeting shall be valid when attendance is none less than 20 percent of the total members.

32.2. The General Meeting shall be reconvened if the quorum does not comply with the prescribed requirement Provision 32.1. The notice of the reconvened meeting and the outlines shall be delivered to the members at least 5 business days prior to the meeting.

32.3. A decision of the General Meeting of members shall be made by majority votes of the attending members. The decision shall be in the format of resolution and the decision shall be endorsed by the signing of the Board of Directors Chairman.

32.4. Disregarding amount of the invested share capital, a member shall have one voting right.

32.5. The members of the Board of Directors and the Supervision Committee shall be elected by the secret ballot voting system, and other issues shall be resolved through the procedure of the charter bylaw.

32.6. A member may send its proposition in a written format if he/she has respectful reason that cannot attend physically for the General meeting of members.

32.7. The Board of Directors shall not be responsible for absence of those who weren't notice of the General Meeting of members, or missed the meeting but were noticed.

32.8. The Savings and Credit Cooperative and the board of directors shall not be responsible for results that related to the member who did not inform its address changes subject to the Provisions 26.2.5 of this law.

Article 33. Procedure of a General Meeting of members and its minute

33.1. The chairman of the Board of Directors shall chair a general meeting of members. The acting chairman shall exercise the duty in the chairman's absence.

33.2. The General meeting shall elect secretary and vote counting committee of the meeting.

33.3. Process of the general meeting shall proved a minute by minute account of the meeting and the minute must included the following information:

33.3.1. date, place and timing of the General Meeting of members

33.3.2. attendance of the General Meeting of members;

33.3.3.members name subject to the Provision 33.2 of this law and elected percentage;

33.3.4.outlines of the General Meeting of members;

33.3.5.election method and form of the General Meeting of members;

33.3.6.record number of each votes that agreed, disagreed and suspended by the each outlines.

33.4.The chairman of the Board of Directors and a member, who took the minutes, shall sign the minutes for endorsement.

Article 34. The Board of directors

34.1. The Board of Director shall exercise the powers of the Savings and Credit cooperative between the General Meetings of members and shall report to the General Meeting of members.

34.2.The Board of Directors shall comprise from none less than 3 members with odd number that elected from the General Meeting of members.

34.3.The member of Board of Directors must be a member of the Savings and Credit Cooperatives and must meet the following requirements to be eligible :

34.3.1. without delinquent loans;

34.3.2.without criminal records;

34.3.3. without conflict to enact for the elected position;

34.3.4.no managerial level working records for last 3 years in the bankrupted legal entity of the financial sector.

34.4.The member of Board of Directors of the Savings and Credit Cooperatives should have a professional qualifications on banking, financial and legislation, or knowledgeable and experienced in the cooperatives and local development.

34.5. A member of the Supervision committee, the Executive Director and the staff are prohibited to be elected as a member of the Board of Directors.

34.6. The term of authority of a member of the Board of Directors shall not exceed three years.

34.7.The composition of the Board of Directors may not be required to be changed at the same time and may have a reserve member if it is prescribed in the charter bylaw of the Savings and Credit Cooperative. In this case, related regulations of election of a member of the Board of Directors and the reserve member shall be prescribed in the charter bylaw of the Savings and Credit Cooperative.

34.8.The member of Board of Directors shall appoint from among themselves the chairman. The chairman of the Board of Directors shall be the chairman of the cooperative.

34.9. The Board of Directors shall hold the meeting at least once for 30 days and shall make a decision by its majority votes. The decision of the Board of Directors shall be in a format of the resolution.

34.10. The Board of Directors may suspend a member of the Board of Director's authority, who has failed to attend board meetings for three or more times without reasonable reason or failed to comply the responsibility prescribed in the charter bylaw of the Savings and Credit Cooperative, by its absolute majority votes. Within 45 days from the suspension, the Board of Directors shall have endorsement from the General Meeting of members about dismissal of the member.

34.11. The member of the Board of Directors, who has delinquent loan for the saving and credit cooperative and suspended its authority by the Board of Directors, shall not have voting right for the meeting of the Board of Directors.

34.12. A member of the Board of Directors shall have obligation to provide confidentiality of the information that received for the business purpose.

34.13. The details of the Board of Directors, its members' authority and operational procedure of the Board of Directors shall be prescribed in the charter bylaw of the Savings and Credit Cooperative.

Article 35. Authority of the Board of Directors

35.1. The Board of Directors shall have following authorities:

35.1.1. to develop development policy and business planning of the Savings and Credit Cooperative and get approval from the General Meeting of the members.

35.1.2. to provide compliance of the laws, the charter bylaw and procedures of the Savings and Credit Cooperative;

35.1.3. to oversee performance of the Savings and Credit Cooperative against the prudential standards of the operation;

35.1.4. to approve the saving and the lending procedures, and determine its interests;

35.1.5. to stipulate compliance of accounting standards and legal acts, and submit financial report for the consideration of the Supervision Committee and the General Meeting of the members for discussion;

35.1.6. to develop proposal to compensate losses from the annual income, allocation the reserve fund, fees for the deposit guarantee and stabilization fund, and amount of distribution surplus, and submit to the General Meeting of members and get approval;

35.1.7. to inform to the Commission if the potential losses cannot be compensated from the reserve fund by the annual and quarterly financial report, or deteriorated financial and settlement capability of the Savings and Credit Cooperative, and insolvency of institutional equity, and shall have urgent discussion by the General Meeting of members;

35.1.8.to oversee the implementation of the approved annual budget by the General Meeting of members;

35.1.9.to make decision to do agreement if the amount of an agreement or the total amount of several related agreements is higher than 10 percent of the total asset by the latest financial statement, and the issues related with the conflict of interests.

35.1.10.to arrange preparatory work to convene the General Meeting of the members;

35.1.11.Unless the the charter bylaw otherwise provide to make the decision by the General Meeting of members, resolve engagement of a new member, suspend membership authority and determine a member as an inactive member;

35.1.12.to receive and resolve applications of member's ceasing from the Saving and Credit Cooperative, or transfer his/her share to others;

35.1.13.to complete receivable and payables (τοοцоо) with the persons prescribed Article 24 of this lawthrough the related acts.

35.1.14. to conduct records of the members and its updates timely, inform to the Commission if the number of members does not meet with the requirement of minimum number of members according to the law, and take required actions;

35.1.15.unless the charter bylaw otherwise provide to resolve by the General meeting of members, set up the loan committee and other committees, appoint its members and oversee its operation;

35.1.16.to appoint the Executive Director, make the contract and oversee its operation;

35.1.17. after making the decision to establish the Savings and Credit Cooperative, shall arrange registration of the Savings and Credit Cooperative to the state registration and update related changes to the registration timely whenever happened a change;

35.1.18.shall approve loans to a member of the Supervision, Loan Committee, and the Executive Director if he/she is member of the cooperative, and shall monitor implementation of the lending agreement;

35.1.19.to discuss the issues, which do not belong to the authority of the General Meeting of members and the Supervision Committee by the law,and make its decision;

35.1.20.in order to provide liquidity, make the decision to get short term borrowings from a bank, a non bank financial institution, or from the project and program within determined amount prescribed in the prudential standards.

Article 36. The Supervision Committee

36.1. The Supervision Committee shall exercise internal audit for the operations of the Savings and Credit Cooperative and report its activity to the General Meeting of members.

36.2. The Supervision Committee shall be established from the General Meeting of members with odd number of members.

36.3. The composition of the Supervision Committee may not be required to be changed at the same time and may have a reserve member if it is prescribed in the charter bylaw of the Saving and Credit Cooperative. In this case, related regulations of the election of a member of the Supervision Committee and the reserve member shall be prescribed in the charter bylaw of the Savings and Credit Cooperative.

36.4. A member of the Board of Directors and the Loan committee, the Executive Director and the employees shall be prohibited to be a member of the Supervision committee. A member of the Supervision committee must be a member of the Savings and Credit Cooperative.

36.5. Provisions 34.3, 34.4, 34.11 of this law shall be incorporated to the member of the Supervision Committee.

36.6. The term of the authority of the member of the Supervision committee shall not exceed three years. The members of the Supervision committee shall elect among themselves the chairman.

36.7. The chairman shall conduct the meeting of the Supervision Committee and the acting chairman in his/her absence, who is the member of the Supervision Committee and appointed by the chairman, shall convene the meeting.

36.8. The meeting of the Supervision Committee shall be valid with the attendance of majority of the members.

36.9. A decision of the Supervision Committee shall be made by the majority of the attending members. A decision shall be endorsed by signing the members who agreed with the decision.

36.10. The Supervision Committee shall hold the meeting at least twice per quarter.

36.11. The meeting of the Supervision Committee may be convened anytime when recommended by the majority member of the Board of Directors and the Supervision Committee, or the Chairman of the Supervision Committee deemed necessary.

Article 37. The Authority of the Supervision Committee

37.1 The Supervision Committee shall have the following authorities:

37.1.1. to inspect for the operations of the Board of Directors, the Loan committee and the Executive Director, and compel implementation of tasks and decisions of the Commission, the General Meeting of the members and the Supervision Committee;

37.1.2.to acquire required documents and information related to the operation of the Savings and Credit Cooperative and exercises the tasks to supervise;

37.1.3.to analyze on the implementation of the policy and the financial activities of the Savings and Credit Cooperative, monitor compliance of the prudential standards of the operations, prepare appraisal and submit to the General Meeting of the members;

37.1.4. to prepare recommendation and review for the annual and quarterly financial reports, the surplus distribution and the proposal to compensate the loss, and submit to the General Meeting of the members for discussion;

37.1.5.to propose to the Board of Directors the suspension authority of the Executive Director, or suspend the authority of the Executive Director if a meeting of the Board of Directors is impossible to be held.

37.1.6.to convene the Extraordinary meeting of the members if required;

37.1.7. if the actions of the Board of Directors, the Loan Committee and the Executive Director are illegal and aren't in the best interest of Savings and Credit Cooperative and their members, cease the actions, cancel the related endorsements and compel remedy;

37.1.8. to give the officialadmonition to the Board of Directors, the Loan Committee, the Executive Director and the staff, who are disobeyed the legal acts, the charter bylaw and the procedures, and appeal to the superintendent organization and the officials for claiming responsibility if required;

37.1.9.to control the lending operations to the Board of Directors, the Loan Committee and the Executive Director and the employee, who are member of the cooperative, and approve loans to the member of the Board of Directors;

37.1.10. if the Board of Directors, the Loan Committee and the Executive Director and the staff do not comply to decisions made by the Supervision Committee and the governing bodies among its authorization, and resulted in damages to the Saving and Credit Cooperative and its members, thesupervision committee shall appeal to the court from the behalf of the Saving and Credit Cooperative and attend for the juridical actions;

37.1.11.to attend to the meeting of the Board of the Directors and the Loan Committee without voting right;

37.1.12.to hire professional inspector if needed;

37.1.13.other rights prescribed in the charter bylaw.

Article 38. The Loan Committee

38.1.A Saving and Credit Cooperative shall have the Loan Committee.

38.2. The Loan Committee shall be established at least with three members by the Board of Directors, and the Loan Committee shall report its operation to the Board of Directors.

38.3. At least one in third members of the loan committee shall be knowledgeable and experienced in banking, finance, economy, or local development and cooperatives.

38.4. The Saving and Credit Cooperative may determine to establish the Loan Committee by the General Meeting of the members prescribed in the charter bylaw. In this case, the Board of Directors shall appoint the chairman of the Loan Committee, and the operations shall be reported to the General Meeting of the members.

38.5. Provisions 34.3, 34.4, 34.11 of this law shall be incorporated to the member of the Loan Committee. The member of the loan committee is prohibited to be a member of the Board of Directors and the Supervision Committee.

38.6. The frequency of the Loan Committee meeting shall be prescribed details in the charter bylaw. The meeting shall be valid with attendance of majority of the members.

38.7. A decision of the Loan Committee shall be made by the majority of the attending members. The decision shall be endorsed by signing of the members who agreed with the decision.

38.8. The Loan Committee shall have following authorities;

38.8.1. unless the charter bylaw otherwise provide, implement the loan policy and submit the recommendation to the Board of Directors;

38.8.2. unless the charter bylaw otherwise provide, receive loan applications and review, make the decision whether or not to release loan, and make the loan agreement;

38.8.3. monitor on the repayment of the loans;

38.8.4. if needed, submit proposal to the Board Directors to convene the general meeting of the members;

38.8.5. other rights and powers prescribed in the charter by law of the saving and credit cooperative.

Article 39. Executive Director

39.1. The Executive Director shall exercise duties to oversee daily operations of the Saving and Credit Cooperative.

39.2. The Board of Directors shall appoint the Executive Director, and make the contract. The Executive Director shall report to the Board of Directors.

39.3. The contract of the Executive Director shall be determined its rights, duties, limitation of the responsibilities, exemption grounds from the responsibility, the wage and the compensation.

39.4. The member of the Board of Directors and the Supervision Committee are prohibited to work as the Executive Director.

39.5. Unless the charter bylaw otherwise provided, the Executive Director may be a non member of the Saving and Credit Cooperative.

39.6. The Executive Director shall be complied following criteria:

39.6.1.knowledgable and experienced on banking, finance, economy and legislation, or local development and cooperatives;

39.6.2.without delinquent loan;

39.6.3.without criminal records ;

39.6.4.without conflict to proceed the position;

39.6.5.no managerial level working records for last 3 years in the bankrupted legal entity of the financial sector.

39.7.The Executive Director shall have the following authorities;

39.7.1.represent the Saving and Credit Cooperative to the internal and external affairs as delegated by the Board of Directors;

39.7.2.appoint, hire and dismiss employees, and contract with them and stipulate its implementation;

39.7.3.attend civil juridical affairs from the behalf of the Saving and Credit Cooperative;

39.7.4.resolve to make single or several correlated agreements with the amounts of less than 10 percent of the total asset by the latest financial statement.

39.8.The Executive Director must inform issues immediately to the board of directors and the Commission, if confront conditions subject to the Provision 35.1.7 of this law, and shall propose further required actions.

Article 40.Responsibility of the members of the Board of Directors, Supervision Committee and Loan Committee, the Executive Director and the Employee

40.1.If the member of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and the Employee used assets for its personal purpose, and caused damage for the Saving and Credit Cooperative due to his/her improper actions, the body, who is guilty of an offence, shall be liable by its personal possessions.

40.2. in order to avoid repaying damages for the saving and credit cooperative or obscure its illegal actions, if the body's action is proved that transfered his/her profit, income and property to the possession of the someone else, or to shared property with the someone else, the damage shall be repaid from the transferred possessions by the amount the damage.

40.3. the liability shall not be eliminated, if a member of the Board of Directors, the Supervision Committee and the Loan Committee, the Executive Director and the employee were knowing that his/her supervisor or superintendent's decision might cause damage for the Saving and Credit Cooperative and the members, or implemented the decision even he/she was possible to know.

40.4. the liability shall be eliminated, if a member of the Board of Directors, the Supervision Committee and the Loan Committee, the Executive Director and the employee deemed that the decision might cause damage or illegal, disagreed with the decision, and did not support the decision, or voted for the opposing decision that verified by the relevant documents.

Article 41. Duties of the members of the Board of Director, the Supervision Committee and the Loan Committee, the Executive Director and Employee

41.1. The member of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and Employee knew or must be known the decision of his/her superintendent body, or the decision of the General Meeting of the members might cause damage, he/she must inform to the direct supervisor or governing body within five business days. The opposed person, who disagreed with the decision, shall have obligation to be noted in the minute of the meeting about his/her standpoint.

41.2. The member of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and Employee must keep confidentiality of the information of the Saving and Credit Cooperative, and avoid potential conflict of interests.

Article 42. The Actions with Conflict of Interests

42.1. If the member of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director, the Employee and the member find out the actions or inaction in order to make advantage or benefit for him/hers or for the person, who have with common interests, or make negative effect to the Saving and Credit Cooperative, the related person shall inform to the Board of Directors. The related person must avoid to attend making the decisions, the contract and the agreement.

42.2. The decision, the contract and the agreement with the conflict of interest that disobeyed the Provision 42.1 of this law, shall be invalid.

42.3. If the action and inaction prescribed the Provision 42.1 caused damage to the Saving and Credit Cooperative, the person, who is accountable for it, shall be fully liable for the damage.

CHAPTER SIX INSTITUTIONAL CAPITAL OF SAVING AND CREDIT COOPERATIVE, FINANCIAL REPORT

Article 43. Institutional Capital

43.1.A Saving and Credit Cooperative shall record its accounting and bookkeeping through the accounting procedure approved by the Commission.

43.2. Maximum share capital per member shall not exceed from the 10 percent of the total share capital of the Saving and Credit Cooperative.

43.3. The Saving and Credit Cooperative shall report its changes on the institutional capital and number of the members to the Commission per half years and annually.

Article 44. The Share Capital of the Members and Annual Surplus Distribution

44.1.A member of the Saving and Credit Cooperative must invest its share capital, at least with a minimum amount to the Saving and Credit Cooperative.

44.2. The Saving and Credit Cooperative may distribute dividend from its annual net income to the members after allocating reserve fund as it prescribed in the charter by law of the Saving and Credit Cooperative.

44.3. The General Meeting of the members shall determine the amount of the dividend per the year.

44.4. The Board of Directors shall record the share capital of the members, and shall distribute dividend to members at least once a year based on the amount of the share capital per members.

Article 45. Capital of an Inactive Member of the Saving and Credit Cooperative

45.1. The Board of Directors shall determine a member as an inactive, who had not been attended to any activities of the saving and Credit Cooperative for the consecutive 12 months and more, by the decision of the Board of Directors, and may suspend authority of the member.

45.2. The Board of Directors shall inform to the member officially 30 business days prior to the decision of determination as an inactive member.

45.3. The member shall be deemed as an inactive member if the member was able to receive the notice prescribed provision 45.2 of this law, or received but did not respond within 15 days. Share capital, balance of the deposit, interest income and dividend per the year of the member shall be allocated to the separate account, and shall be reported to the financial statement separately.

45.4. Since the date of the decision making by the board of members prescribed provision 45.1 in this law, the dividend shall not be allocated to the member and interest shall not be accumulated too.

45.5. If the member that deemed by as an inactive member of the saving and credit cooperative through the Provision 45.1, did not agree with the decision of ceasing of the membership, the member must claim to the general meeting of members to discuss the issue. If the member wants to restore his/her membership authority

before the General Meeting of members, he/she may apply for restoration his/her membership authority to the Board of Directors.

45.6. The settlement with an inactive member shall be resolved through the Article 25 of this law.

Article 46. Financial report

46.1. The financial statement of the Saving and Credit Cooperative shall be complied the International Accounting Standard (IAS) and the accounting procedure approved by the Commission.

46.2. The Saving and Credit Cooperative shall prepare its financial statement per quarter and per annum, and shall submit to the Commission. The Commission shall have authority to stipulate additional support documents related to the financial statement of the Saving and Credit Cooperative.

46.3. The Commission may stipulate rectification and adjustment to the Saving and Credit Cooperative if the description or data were inconsistent, or the statement disobeyed the related procedures.

CHAPTER SEVEN RESTRUCTURING AND LIQUIDATION OF THE SAVING AND CREDIT COOPERATIVE

Article 47. Restructuring the Saving and Credit Cooperative

47.1. The restructuring resolution shall be made by the general meeting of the members. The decision shall be validated by the absolute majority votes (66%).

47.2. The restructuring shall be made by the endorsement of the Commission through the legislation.

47.3. In order to get restructuring approval, the following documents shall be submitted to the Commission;

47.3.1. the application;

47.3.2. the resolution of the general meeting of the members to restructure;

47.3.3. the resolution endorsement of the General Meeting of the members that based on the justification and requirement to restructure, mode/status of the restructuring, conditions and term of the restructuring, restructuring plan, steps and capital estimation and liability of the members after restructuring, and the financial statement and other required information;

47.3.4. estimation of the financial consequence due to the restructuring and the beginning balance sheet of the entity after restructuring.

47.4. Within 30 days of receiving the related documents, the Commission shall review and make the decision whether or not allow the restructuring. The Commission shall send the decision to the Saving and Credit Cooperative and inform to the public.

47.5. The Commission may not allow the restructuring decision of the General meeting of the members disobeyed the legal acts, or shall cause negative effect to the interest of the members, or to the interest of the individual and the legal bodies that have accounts receivable to the cooperative.

47.6. During the restructuring process, the Commission may implement on the site inspection and technical consultancy if needed.

Article 48. Winding up Saving and Credit Cooperative

48.1. The affairs, which not prescribed this law about the restructuring of the Saving and Credit Cooperative, shall be regulated by the Civil code and other related laws.

48.2. The Saving and Credit Cooperative shall be winded up for the following grounds:

48.2.1. by the endorsement of the Court;

48.2.2. by the decision of the General Meeting of the members if the Commission made approval in the written format.

48.3. The winding up decision of the Saving and Credit Cooperative shall be made by the absolute majority of the voted members.

48.4. Within 30 days of submission the related documents to the Commission, the Commission shall review and make the decision whether or not agree with the winding up, and shall send the decision to the Saving and Credit Cooperative and inform to the public.

48.5. The Commission may not agree when the winding up decision of the General Meeting of the members disobeyed the legal acts, or shall cause negative effect to the interest of the members or to the interest of the individual and legal bodies that have accounts receivable from the Saving and Credit Cooperative.

48.6. The Commission shall claim to the court the winding up the Saving and Credit Cooperatives in the following cases:

48.6.1. The Commission terminated the license but the Saving and Credit Cooperative did not wind up by the its own initiative.

48.6.2. Subject to the provision 15.8 and 15.9 of this law.

CHAPTER EIGHT THE ASSOCIATION OF THE SAVING AND CREDIT COOPERATIVES

Article 49. The Association of the Saving and Credit Cooperatives

49.1. Saving and Credit Cooperatives may establish voluntarily association of the Saving and Credit Cooperatives (furthermore the Association) by this law and the related legal acts for the purpose of collaboration and assist to the each other.

49.2. The Association, who complied requirements of the Commission, shall exercise the authority of the national association of the Saving and Credit Cooperatives that protect rights and interests of the cooperatives and represent them for the government and external affairs. Other associations shall be prohibited to use determination of "national".

49.3. The Association shall have the name, the stamp, the official letter format and the bank account.

49.4. The Association shall operate through the principles of the saving and credit cooperatives.

49.5. The Association shall be registered to the state registration through the related laws and legal acts.

Article 50. The Bylaw of the Association

50.1. The Association shall be established by the majority vote of the representatives of the Saving and Credit Cooperatives and shall endorse the bylaw of the association.

50.2. The Association bylaw shall be prescribed the following issues:

50.2.1. Goal of the bylaw;

50.2.2. The name and the address of the Association;

50.2.3. Establishment date of the Association;

50.2.4. The Goal of the Association;

50.2.5. The authority of the General Meeting of the members, procedures of its arrangement and decision making;

50.2.6. The election procedure of the Chairman and the member of the Board of Directors and the Supervision Committee;

50.2.7. composition of the Board of the Directors and its authority;

50.2.8. election and ceasing procedures of the Chairman of the Board of Directors and the Supervision Committee and its members, and term of its authority;

50.2.9. the minimum number of the meetings of the Board of Directors and the Supervision Committee per annum, the quorum of the meetings, and the decision making procedures;

50.2.10. procedures of determining the membership fee from the affiliated Saving and Credit Cooperatives and the fee for the stabilization services;

50.2.11. procedures of the amendment and changes to the bylaw;

50.2.12.the rights and the duties of the members, engagement and withdrawal procedures of the membership, and the liability of the members who disobeyed the bylaw;

50.2.13.the conditions and the procedures of restructuring and winding up of the Association, and arrangements of its assets

Article 51.The Authority of the General Meeting of the members, the Board of Directors and the Supervision Committee

51.1.The General Meeting of the members shall exercise following authorities;

51.1.1.changes and amendments to the bylaw;

51.1.2.restructuring and winding up of the Association;

51.1.3.approval the annual budget of the Association

51.1.4.the election and the ceasing of the Chairman and members of the Board of Directors and the Supervision Committee;

51.1.5.the authority and the limitation of the Board of Directors to the administration assets of the Association;

51.1.6.other rights prescribed in the bylaw.

51.2.The Chairman of the Board of Directors shall be the Chairman of the Association.

51.3.The Board of Directors shall have following authorities;

51.3.1.appoint and cease the Executive Director and discuss its report;

51.3.2.determine the authority and the limitation of the Executive Director to administer assets of the Association;

51.3.3.determine the structure and its arrangements of the executive staff;

51.3.4.determine the amount of the salary, compensation of the Executive Director and the staff;

51.3.5.propose the financial assistance from the stabilization fund;

51.3.6.other rights prescribed in the bylaw

51.4.The Supervision Committee shall exercise the following authorities:

51.4.1.monitor operations of the Board of Directors and the Executive Director;

51.4.2.inspect reliability and accessibility of the stabilization service of the Association to the member Saving and Credit Cooperatives, and perform its appraisal;

51.4.3.to be accessible with the documents, the reports and the information related to operations of the Association;

51.4.4.conduct assessment on the quarterly and annual financial report of the Association and submit to the General Meeting of the members;

51.4.5.submit proposal to suspend the authority of the Executive Director for the Board of Directors;

51.4.6.convene the extraordinary General Meeting of the members if needed;

51.4.7.terminate the operation and to insist decisions to make invalid if operations of the Board of Directors and the Executive Director were illegal, or impact negatively to the rights or the interest of the Association and its member Saving and Credit Cooperatives.

Article 52. Resources of Assets of the Association

52.1.The Assets of the Association shall consist from the following resources:

52.1.1.fee and donationfrom the members;

52.1.2.donations from the foreign and national citizen, entity and organizations;

52.1.3.income from the business income that related to the compliance of the bylaw goals;

52.1.4.assets from loan,inheritance and allocated capital from the state budget for the project implementation .

Article 53.Objectives of the Association of Saving and Credit Cooperatives

53.1.The Association shall implement the following duties in order to assist provision of the financial sustainability of the member Saving and Credit Cooperatives, provide technical and professional support, and improve quality of the services to the members:

53.1.1.develop comprehensive policy to prepare human resources for the member Saving and Credit Cooperatives and collaborate with the government and non government organizations, organize technical and professional support to the member cooperatives, conduct experience sharing activities, capacity building of the human resources and upgrade skills, promote cooperative movement to the public, and implement development policy of the cooperatives;

53.1.2.develop policy to provide integrated IT service to the member Saving and Credit Cooperatives, to establish intermediary dataprocessing center to processing data by providing software and hardware, to protect and provide information and technical security and its confidentiality, and provide accessibility database to the state database.

53.1.3.determine development policy of the member Saving and Credit Cooperatives, provide guidance and methodology on the management and the financial management, and to avoid risks;

53.1.4.support and provide professional assistance to the member Saving and Credit Cooperatives on the auditing and improving quality of accounting, develop model formats of registration, operational recording, the saving books and the agreements, and provide integrated marketing services;

53.1.5.in order to implement the goals prescribed in the bylaw, the Association shall provide the stabilization service to the member Saving and Credit Cooperatives to provide its financial sustainability.

Article 54. Stabilization services of the Association

54.1.The Association shall establish the stabilization fund and implement following obligations for the purpose of provision financial sustainability:

54.1.1.monitor on the risk ranking and the sustainability of the member Saving and Credit Cooperatives;

54.1.2.provide financial assistance in order to stabilize financial situation of the Saving and Credit Cooperatives.

54.2.The following principles shall be complied to the financial services to the financially challenging Saving and Credit Cooperatives from the stabilization fund:

54.2.1.a member Saving and Credit Cooperative shall submit its request to the Association for getting the financial assistance;

54.2.2.the Association shall conduct the assessment for the loan and saving portfolios of the Saving and Credit Cooperative that applied for the financial service from the stabilization fund;

54.2.3.based on the Commission approval, the Association shall provide the financial service to the Saving and Credit Cooperative with the conditions of repayment.

54.3.The Stabilization fund shall consist of the annual payment from the member Saving and Credit Cooperatives, grants and donation from international and national organization, citizen, and legal bodies, and its operational income.

54.4.The Commission shall determine procedures of the administration and the supervision of the fund, and minimum requirement of the statutory reserve.

54.5.The Association shall provide the stabilization service through the procedures approved by the Commission.

54.6.the right of the member Saving and Credit Cooperative to get financial stabilization service shall start from the date when the cooperative paid fully its fee to the stabilization fund.

54.7.the maximum amount of the financial service from the stabilization fund shall not exceed three times of the fee made by the Saving and Credit Cooperative to the stabilization fund.

54.8.The financial assistance shall be prohibited if the statutory reserve of the stabilization fund does not comply to the minimum requirement.

54.9.The Association shall submit quarterly and annual financial report of the stabilization fund to the Commission.

Article 55. Deposit protection system

55.1.The savings of a member of the Saving and Credit Cooperatives shall be insured. The insurance regulations of the Saving and Credit Cooperatives shall be prescribed in the deposit insurance legislation.

CHAPTER NINE

MONITORING AND INSPECTION OF THE SAVING AND CREDIT COOPERATIVES

Article 56. Monitoring and Inspection of the Saving and Credit Cooperatives and Compulsory Actions

56.1.The Commission shall monitor operations of the Saving and Credit Cooperatives prescribed by the laws and the legal acts.

56.2.The Commission shall exercise following compulsory actions when needed:

56.2.1.give the written notification, the obligations and requisitions of correction actions with term;

56.2.2.inspections for the operations of the Saving and Credit Cooperatives, the Board of Directors, the Supervision Committee and the Loan Committee. If needed submit the request to dismiss the authority and to take legal actions to the next level governing body and to appeal to the Court;

56.2.3.cancel the decisions of the Saving and Credit Cooperatives if the decision was illegal or may impact negative to the members interest, and insist corrections;

56.2.4.suspend, terminate licensing, and restore it when complied the criteria's and the requirements;

56.2.5.provide approval of winding up.

56.3.The Commission shall approve procedures for the implementation of the compulsory actions prescribed article 56.2 in this law.

56.4.If required, the Commission may prohibit expenditures from the deposit account and releasing loan from the Saving and Credit Cooperative, or from the intermediary cooperative account that affiliated to.

56.5.The Commission shall conduct timely inspection to the Saving and Credit Cooperatives when deteriorated financial and settlement capability, and insolvency of the institutional capital.

56.6.Based on the inspection results prescribed article 56.5 of this law, may assign the term obligations for corrections for non complied indicators, or insist on convene the General Meeting of the members to the Board of Directors.

56.7.If the Saving and Credit Cooperative, its Board of Directors did not conform obligations of the Commission prescribed the Provision 56.6, the Commission may appeal to the Court to cope with the damages caused by its actions from the behalf of the Saving and Credit Cooperative and the members without its verification.

CHARTER TEN LIABILITY OF DISOBEY THE LAWS AND LEGAL ACTS

Article 57.Amount of Penalty

57.1. Unless following irregularities shall not be charged as a criminal liability, the state inspector of the Commission shall charge the administrative liability:

57.1.1. if disobeyed the Provision 45.2, 45.3, 45.6 and 54.2.3 of this law, and none compliance the obligation and the requisition by the Commission, disobeyed requisition of the state inspector, or made obstruction for the operations of the state inspector, the legal body shall be paid penalties with the amount from three to five times of the minimum wage per month, and the person, who was in charge, shall be paid penalty with amount three times of the minimum wage of labor per month;

57.1.2.if disobeyed the Provision 19.3, 20.1, 21.5, 30.5, 31.1 and 43.2, the legal body shall be paid penalties with the amount from five to ten times of the minimum wage of labor per month, and the person, who was in charge, shall be paid penalty with amount from two to five times of the minimum wage of labor per month;

57.1.3.disobeyed the Provision 13.1, 13.5, 16.1, 17.1, 17.4 and 46.2, the legal body shall be paid penalties with the amount from ten to twenty times of the minimum wage of labor per month, and the person, who was in charge, shall be paid penalty with amount from three to seven times of the minimum wage of labor per month;

57.1.4.if disobeyed or partially disobeyed the obligations and tasks of the Commission, requisition of the state inspector through the procedures prescribed in this law, the Saving and Credit Cooperative shall be paid penalties with the amount of from three to five times of the minimum wage of labor per month, and the person, who was in charge, shall be paid penalty with amount of three times of the minimum wage of labor per month;

SPEAKER OF STATE GREAT HURAL

D.DEMBEREL