

**CORPORATE GOVERNANCE CODE'S PERFORMANCE OF REGULATED  
SECTORS 2023**

**(INSURERS, NON-BANK FINANCIAL INSTITUTIONS PROVIDING TRUST  
SERVICES AND INVESTMENT MANAGEMENT COMPANY)**

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## CORPORATE GOVERNANCE CODE'S PERFORMANCE OF REGULATED SECTORS

2023

(INSURERS, NONBANK FINANCIAL INSTITUTIONS PROVIDING TRUST SERVICES, AND INVESTMENT MANAGEMENT COMPANIES)

### TIMELINE

**2006**

The Parliament of Mongolia adopted the Chapter of the Financial Regulatory Commission (FRC) of Mongolia, granting it legal authority to introduce and elaborate on corporate governance principles.

**2007**

The FRC approved the inaugural Corporate Governance Code, hereinafter referred as the Code.

**2014**

The Code underwent amendments.

**2022.03.23**

FRC's Resolution No.145 revised the Code and included appendices containing report forms with assessment methodologies, as well as model forms of internal policy documents, rules, and regulations. These align with the internationally accepted principle of "comply or explain".

**2022.04.15**

The Code came into effect upon registration in the "State Register of Administrative Norms Acts" and integration into the legal information system [www.legalinfo.mn](http://www.legalinfo.mn). Publicly listed companies, insurers, nonbank financial institutions providing trust services, and investment management companies are required to adhere to the Code.

**2022.04.20**

Training sessions and discussions on assessing the Code's implementation were organized for the board chair, members, secretaries, and chief executives of 116 regulated entities over 3 sectors.

**2022.05.16**

Assessment of the Code's implementation of regulated entities (insurers, NBFIs, investment management companies) has been started.

**2022.06.22**

In 2022, FRC Chairman's Order No.336 approved the "Guideline for Ensuring the Implementation of the Code" which outlines the organizational framework for introducing corporate governance principles and specifies the obligations to be followed by market participants.

### **2022.12.30**

The FRC conducted an assessment of the implementation of the "Corporate Governance Code" across 116 regulated entities, including insurers, nonbank financial institutions providing trust services, and investment management companies, spanning three regulatory sectors. Following the assessment, the FRC issued recommendations or assignments within specific timeframes, rated sectors based on their performance, and disclosed the result to the public. In August 2022, the initial assessment of the Code's performance yielded a score of 55.3%. By December 2022, this score had increased by an average of 16.4% following the FRC's provision of recommendations, guidance, or assignments within specific timeframes.

### **2023.06.30**

A total of 124 entities regulated by the FRC, including insurers, non-bank financial institutions, and investment management companies were assessed, and each company was assigned a timed assessment.

### **2023.12.28**

By the end of 2023, the review of reports from 81 companies, which have been followed up on by 124 entities regulated by the FRC including insurers, non-bank financial institutions, and investment management companies, increased by more than 26.4% compared to 2022.

## **1. RESEARCH**

The introduction of corporate governance not only ensures the long-term sustainability of business activities but also contributes to creating a fair and transparent market environment, aligning with the expectations of investors and customers. Therefore, it is crucial to give critical attention to this socially significant concept and consistently develop it.

International practice emphasizes the use of risk-assessment-based rating methods when evaluating the quality of corporate governance and the implementation of the Code. Corporate governance ratings play a positive role in aiding investors and customers in making informed and risk-aware decisions. These ratings serve as valuable information for assessing the risk associated with a company's operations, thus contributing to more informed decision-making.

## **2. GOAL AND SIGNIFICANCE**

- Evaluate the implementation of the Code using a standardized method and develop an integrated report;
- Determine the company's governance approach and identify potential risks;
- Assess the risk factors affecting investors and clients, and establish governance indicators to aid decision-making processes;
- Identify the leaders in terms of governance and determine the ranking of corporate governance;
- Outline the standards of corporate governance that will serve as a guide for comparing and improving self-governance in regulated entities;
- Optimize legislation and internal rules and regulations adopted by joint-stock companies;
- Generate statistical data in the form of time series.

### 3. METHODOLOGY

This research was conducted based on the results of the initial assessment of 124 regulated entities (insurers, NBFIs, and asset management companies), followed by assessment reports from 81 companies. The assessment utilized 36 questionnaires to evaluate the implementation of the Code.

#### 3.1. MAIN TOPIC:

- a. **The function, structure, and composition of the Board and its Committees under the Board.**
- b. **Transparency of internal legal regulations and website update;**
  - Policy and documentation;
  - Code of ethics and conduct;
  - Company charters, internal operational procedures;
  - Regulations and guidelines for information transparency, reporting, compliance monitoring and risk management
  - Training programs for company's authorized officials.
- b. **Code indicators implemented well and worse.**

#### 3.2. RESEARCH SUBJECTS:

A regulated entity responsible for implementing the Code (insurers, NBFIs, and asset management companies)

a. The Corporate Governance and Compliance Division conducted an initial assessment of 124 regulated entities (insurers, NBFIs, and asset management companies) and assigned fixed-term duties. Subsequently, a follow-up assessment was carried out for 81 companies using questionnaires aligned with the Code, resulting in a scored evaluation.

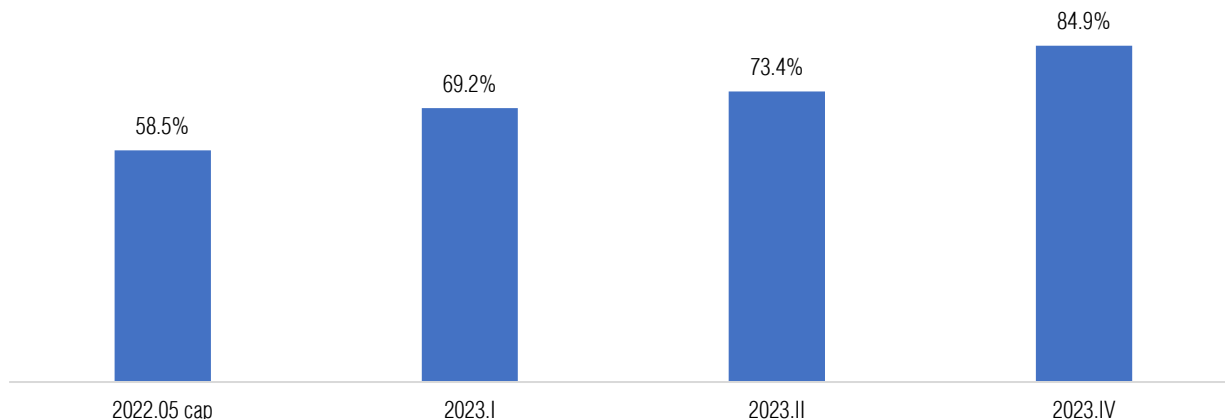
b. The total score and percentage of assessment control were calculated based on evidence provided in the remote assessments submitted by the companies.

c. Recommendations and directions were provided to each company based on the overall assessment results, and progress in remote assessments was gauged by their performance.

The overall assessment of companies is instrumental for the Financial Regulatory Commission (FRC) in decision-making regarding issuing licenses or permissions and registration. It captures the current state of corporate governance, aids in analyzing the legal environment, and facilitates disclosure through an integrated study of corporate governance ratings.

#### 4. RESEARCH RESULT

FIGURE 1. CHANGES MADE AFTER FIXED-TERM DUTIES BASED ON REMOTE ASSESSMENT OF THE "CORPORATE GOVERNANCE CODE" PERFORMANCE:



**Note 1:**

After the follow-up assessment of **81** regulated entities, the implementation of the Code increased by **26.4%** compared to the initial assessment.

**Note 2:**

Increase varies such as **26.8%** for insurers, **24.5%** for NBFIs, and **27.7%** for investment management companies.

FIGURE 2. COHERENCE BETWEEN THE CORPORATE GOVERNANCE CODE PERFORMANCE AND REGULATED ENTITIES:

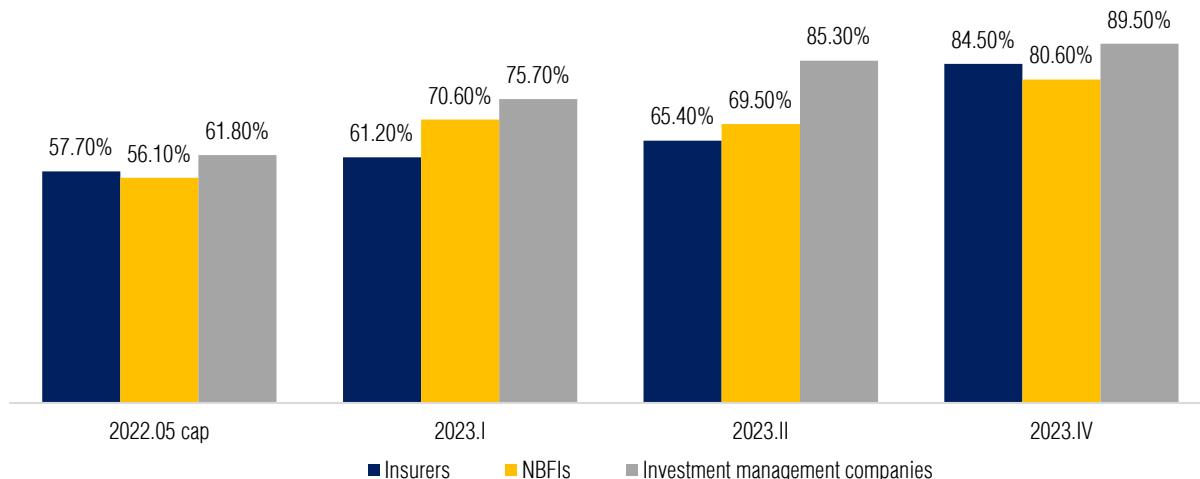
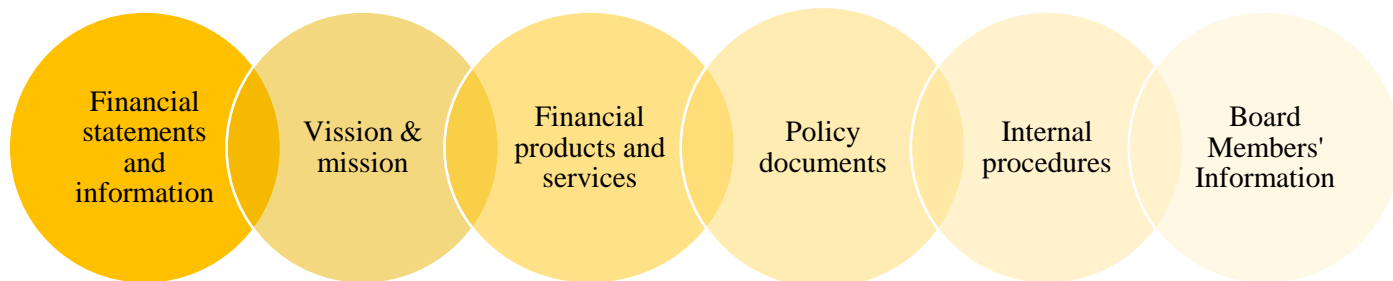


FIGURE 3. INFORMATION DISCLOSED ON THE WEBSITE:



5. INSURERS’ PERFORMANCE ON THE CORPORATE GOVERNANCE CODE

FIGURE 4. PROGRESS OF THE CODE’S IMPLEMENTATION:

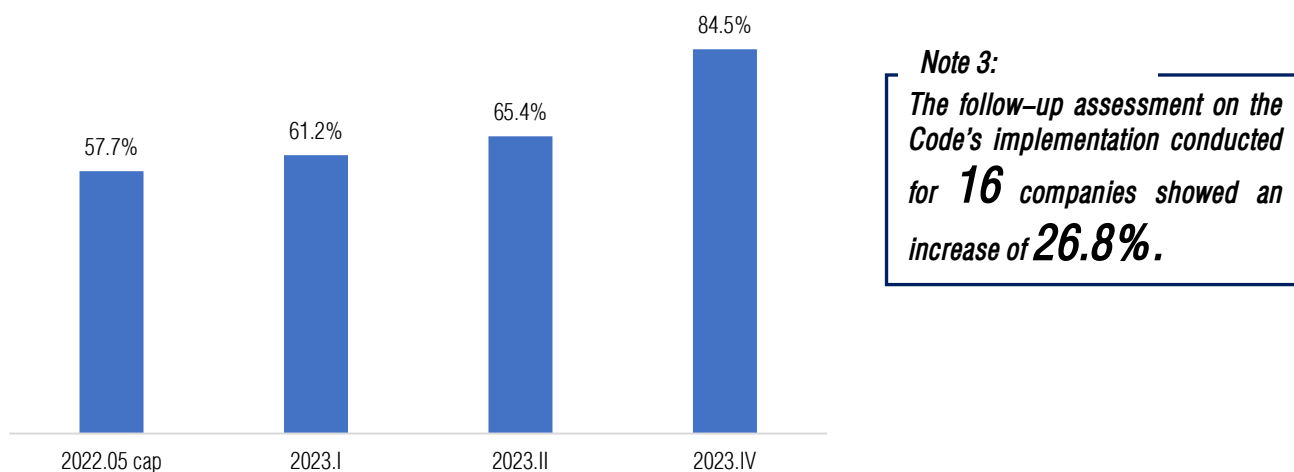
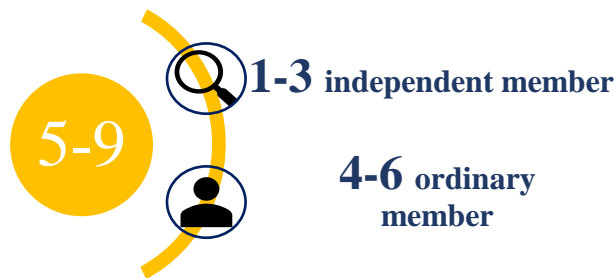


FIGURE 5. BOARD COMPOSITION:



**Note 4:**  
The board of directors comprises **5-9** members, with **30.6%** being independent members.

**Note 5:**  
**36.3%** of all board members are women.

FIGURE 6. BOARD OPERATION

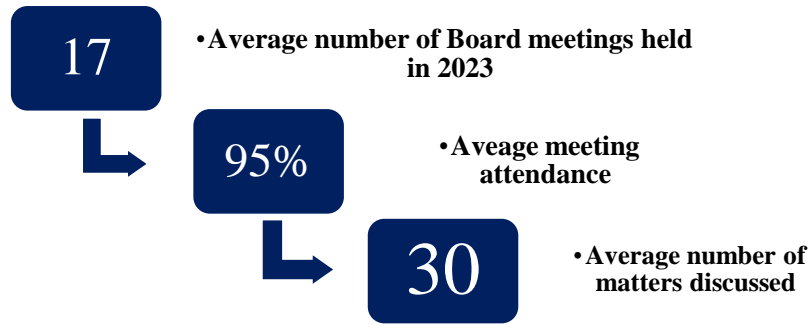


FIGURE 7. WORK EXPERIENCE OF BOARD MEMBERS WORKING AS AUTHORIZED OFFICIALS /annual/:

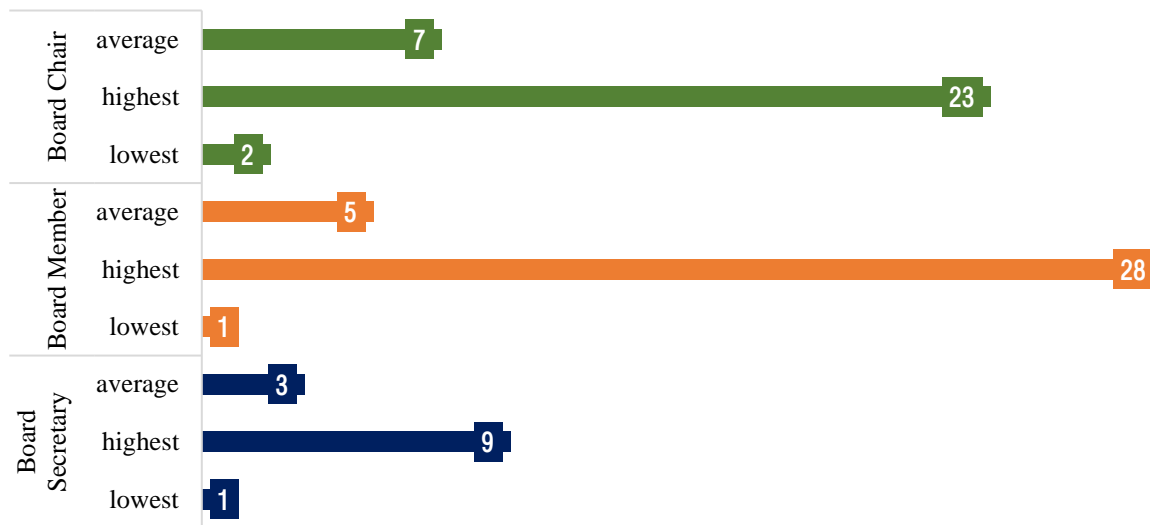


FIGURE 8. BOARD SECRETARY:

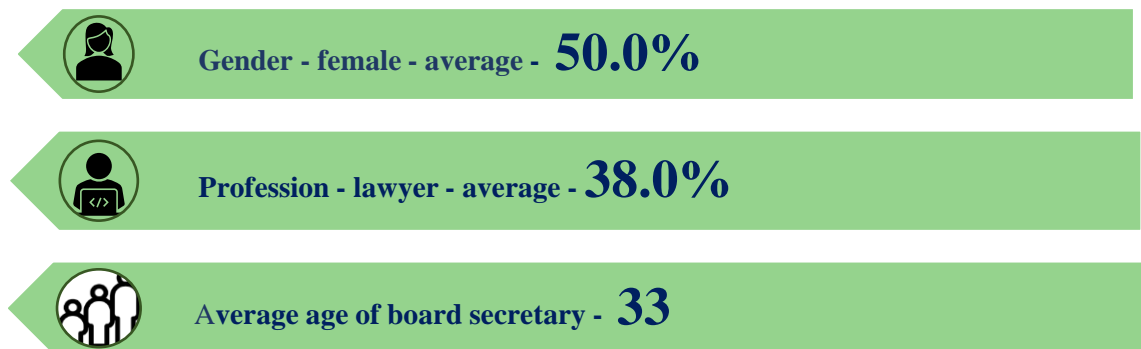


FIGURE 9. AGE AND PROFESSION OF BOARD MEMBERS:

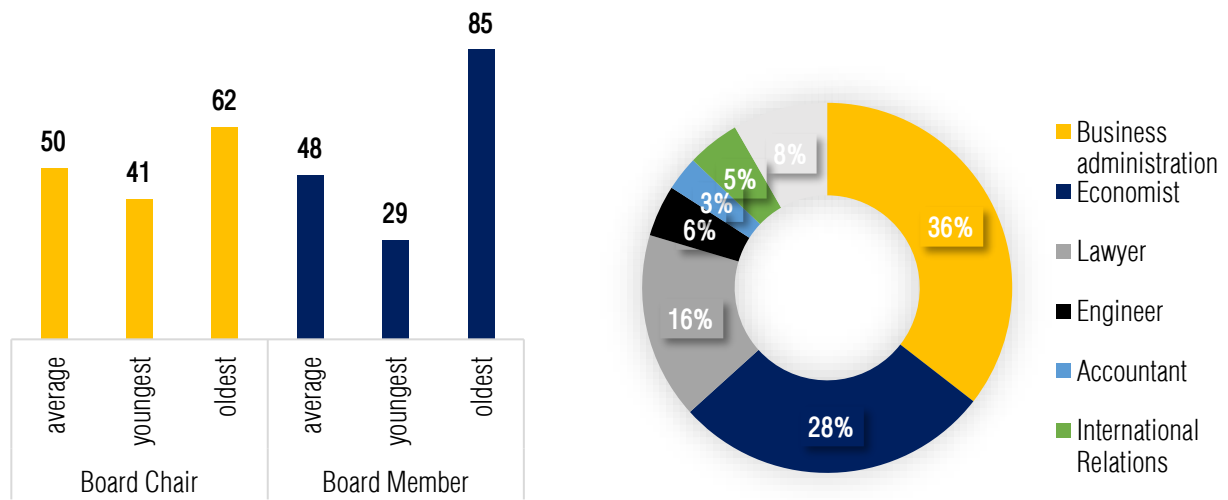


FIGURE 10. COMMITTEES UNDER THE BOARD:

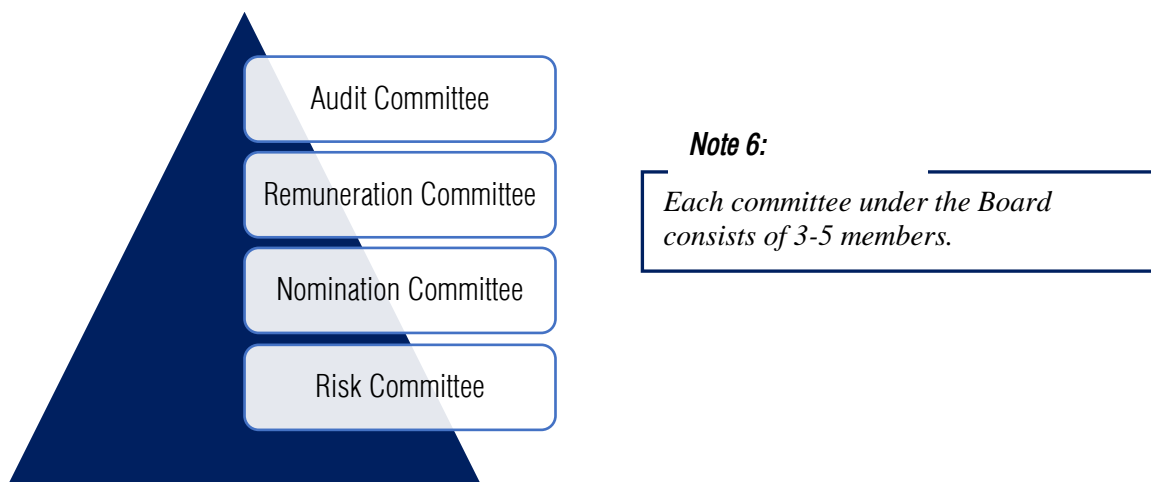
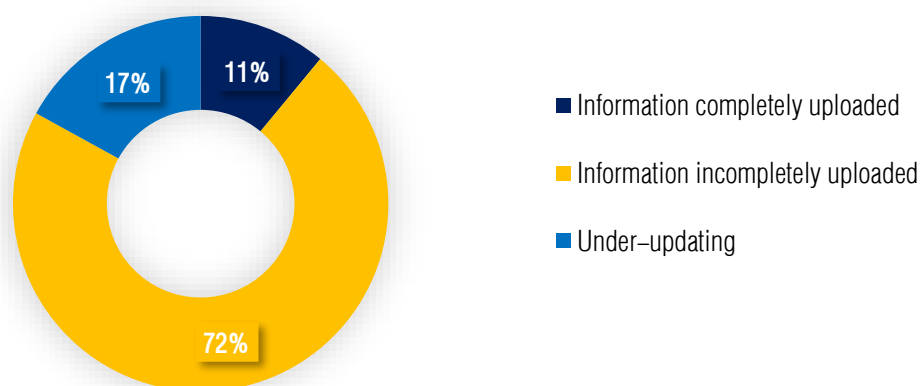


FIGURE 11. OPEN AND TRANSPARENCY OF INTERNAL RULES AND REGULATIONS POSTED ON THE WEBSITE:



**Note 7:**

*As of 2023, 94.0% of companies have posted their Board Operational Procedure on their website.*

**Note 8:**

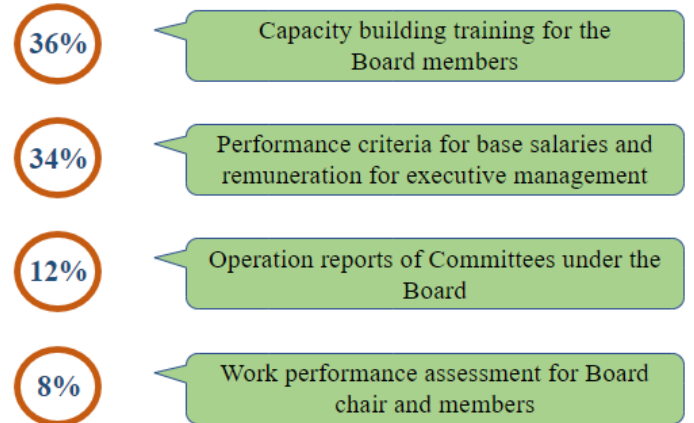
*During the reporting period, 70.0% of companies disclosed their internal rules and regulations.*

FIGURE 12. CODE'S INDICATORS IMPLEMENTED WELL AND WORSE:

**Corporate governance indicators implemented well:**



**Corporate governance indicators implemented worse:**



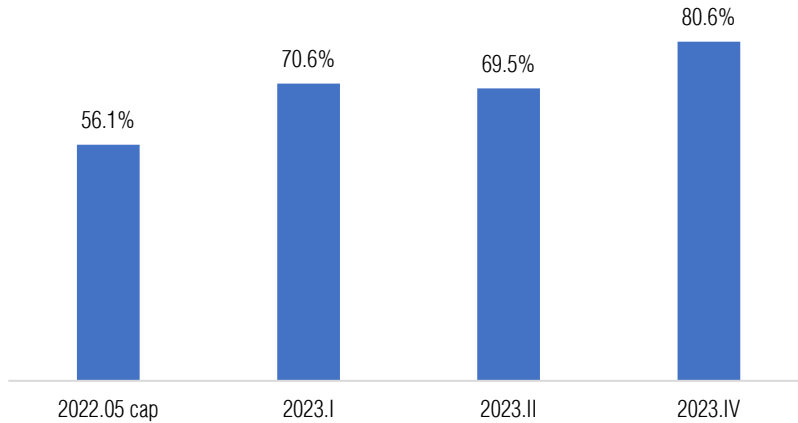
**5.1. RATING BY ASSESSMENT OF THE “CORPORATE GOVERNANCE CODE” PERFORMANCE** (Companies that submitted follow-up assessments are highlighted in green)\*

Rank	Name of Companies	Rank	Name of companies
1	"PRACTICAL INSURANCE" LLC	8	"MONGOLIAN NATIONAL REINSURANCE" JSC
2	"AGULA INSURANCE" LLC	9	"NATIONAL LIFE INSURANCE" LLC
3	"MONRE INSURANCE" LLC	10	"KHAN INSURANCE" LLC
4	"GANZAM INSURANCE" LLC	11	"AMAR INSURANCE" LLC
5	"MUNKH INSURANCE" LLC	12	"ULAANBAATAR CITY INSURANCE" LLC
6	"MIG INSURANCE" LLC	13	"NOMIN INSURANCE" LLC
7	"TENGER INSURANCE" LLC	14	"MANDAL LIFE INSURANCE" LLC

\* “Ард даатгал” ХК, “Бодь даатгал” ХК, “Мандал даатгал” ХК, “Монгол даатгал” ХК-уудын хэрэгжилтийг “Монголын хөрөнгийн бирж” ХК-д бүртгэлтэй нээлттэй хувьцаат компанийн кодексийн үнэлгээний тайланд тусгасан болно.

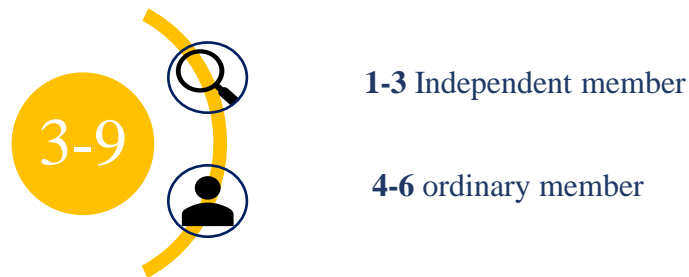
## 6. COMPANY GOVERNANCE CODE IMPLEMENTATION OF THE NBFIs (TRUST SERVICE PROVIDERS )

FIGURE 13. PROGRESS OF THE CODE'S IMPLEMENTATION:



**Note 9:**  
 The follow-up assessment on the Code's implementation conducted for **53** NBFIs (trust service provider) showed an increase of **24.5%**.

FIGURE 14. BOARD COMPOSITION:



**Note 10:**  
 The board of directors consists of **3-9** members, with **22.6%** being independent members.

**Note 11:**  
**34.8%** of all board members are female.

FIGURE 15. BOARD OPERATION:

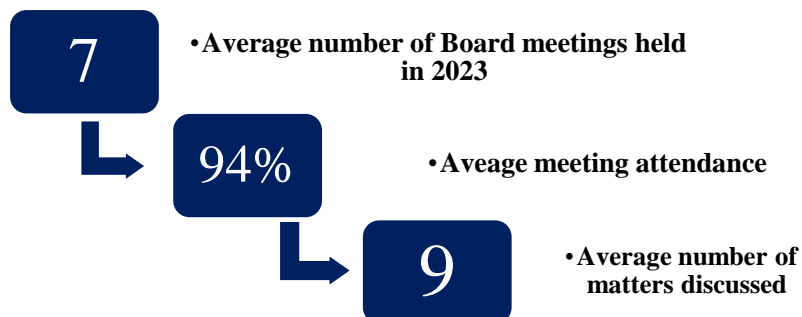


FIGURE 16. WORK EXPERIENCE OF BOARD MEMBERS WORKING AS AUTHORIZED OFFICIALS /annual/:

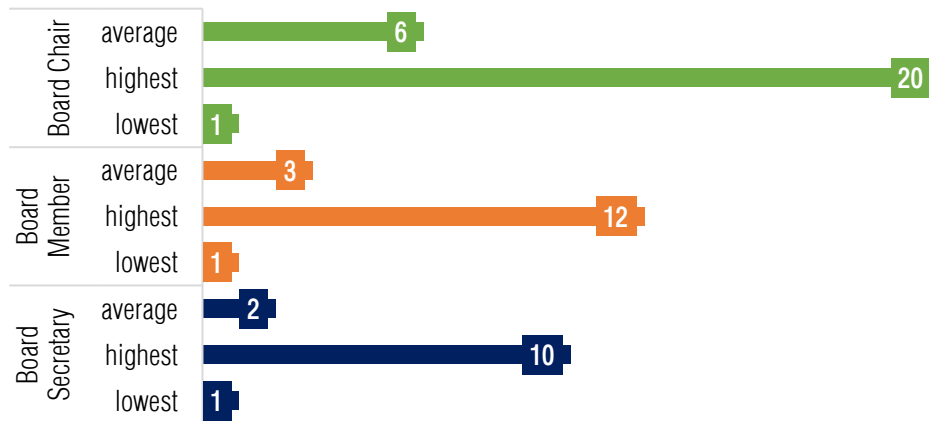


FIGURE 17. BOARD SECRETARY:

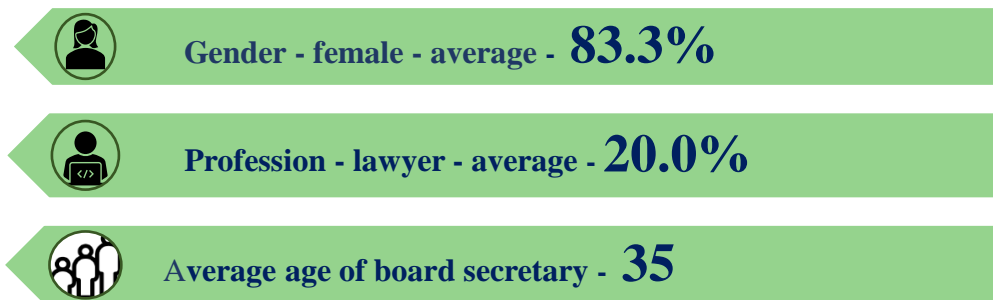


FIGURE 18. AGE AND PROFESSION OF BOARD MEMBERS:

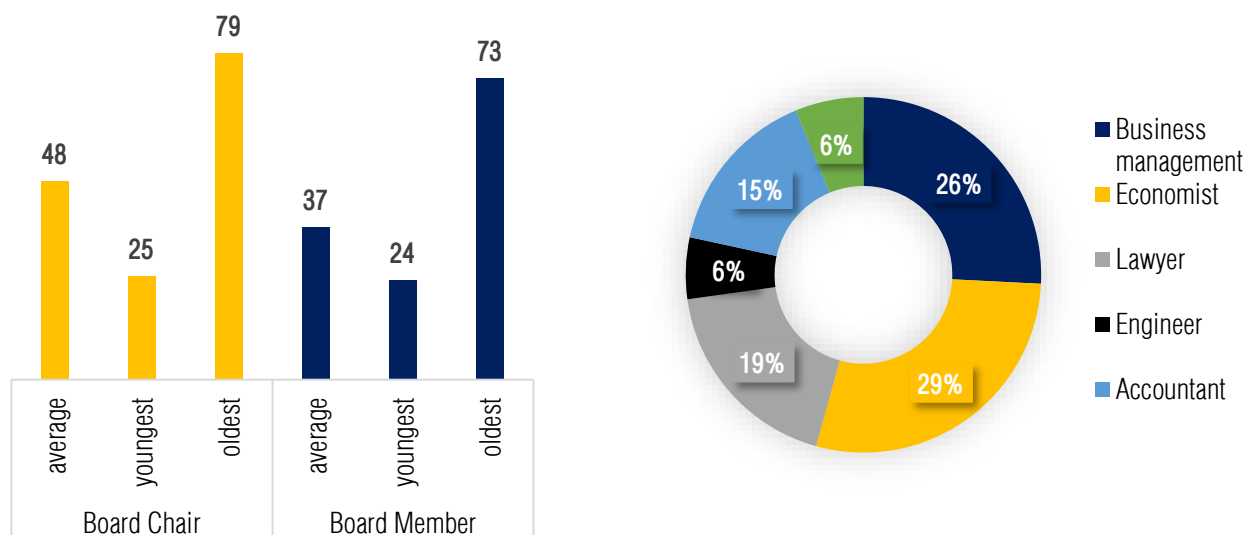


FIGURE 19. COMMITTEES UNDER THE BOARD:

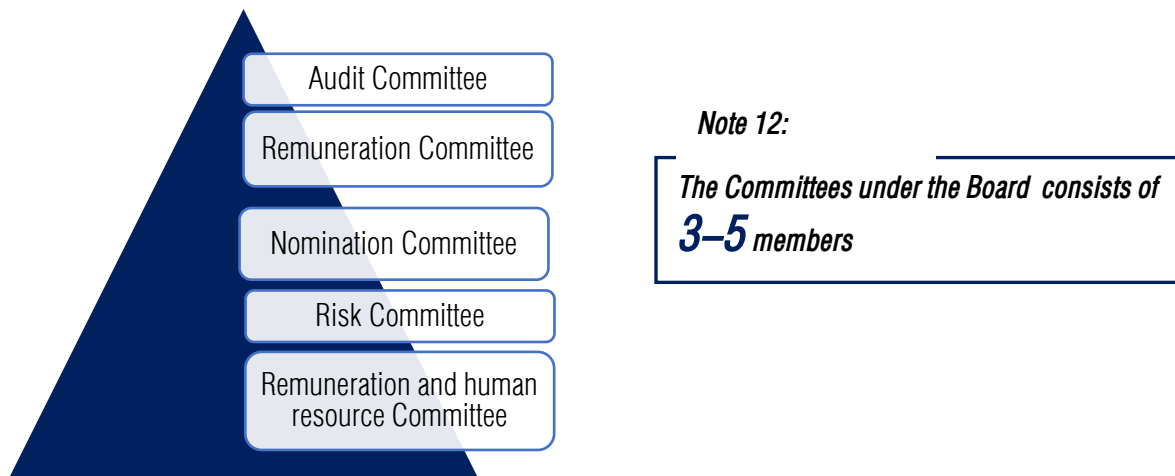
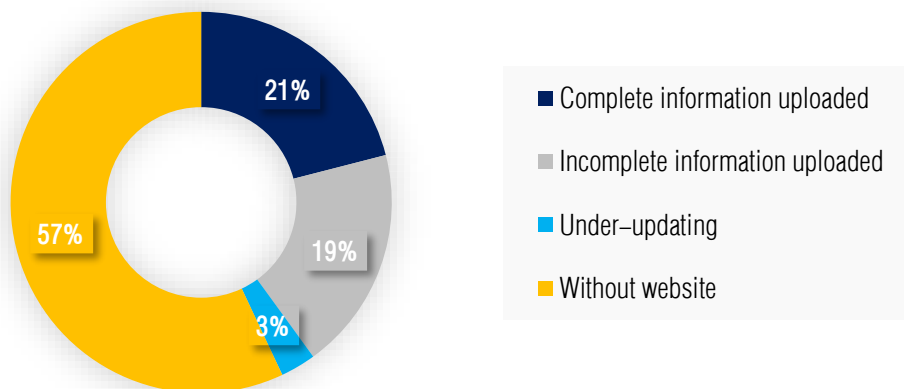


FIGURE 20. OPEN AND TRANSPARENCY OF INTERNAL RULES AND REGULATIONS POSTED ON THE WEBSITE:



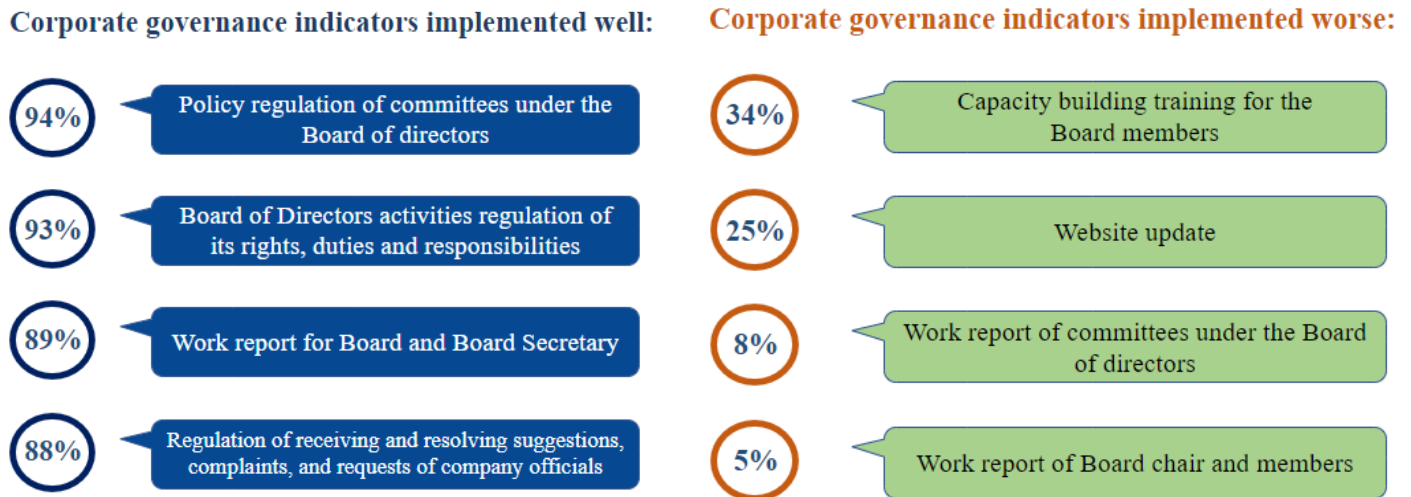
**Note 13:**

*As of Q1 2023, 32.0% of companies have posted their Company Charter on their website.*

**Note 14:**

*During the reporting period, 43.0% of companies disclosed their internal rules and regulations.*

FIGURE 21. CODE'S INDICATORS IMPLEMENTED WELL AND WORSE:



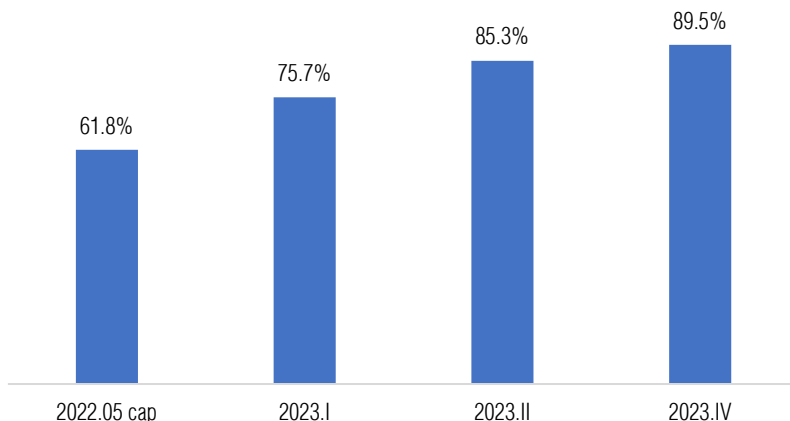
**6.1. RATING BY ASSESSMENT OF THE "CORPORATE GOVERNANCE CODE" PERFORMANCE** (Companies that submitted follow-up assessments are highlighted in green)

Rank	Name of companies	Rank	Name of companies
1	"BULL CAPITAL NBFI" LLC	38	"SOLUTION FINANCE NBFI" LLC
2	"MOBIFINANCE NBFI" LLC	39	"ASHID CAPITAL NBFI" LLC
3	"NEWFOND NBFI" LLC	40	"PROGRESS CAPITAL NBFI" LLC
4	"UIZEN-IVEELT NBFI" LLC	41	"CEC INVESTMENT NBFI" LLC
5	"NETCAPITAL FINANCE CORPORATION NBFI" LLC	42	"ALLIANCE CAPITAL NBFI" LLC
6	"OMNI CAPITAL NBFI" LLC	43	"MANDAL DIJITAL CREDIT NBFI" LLC
7	"GEREL FINANCE NBFI" LLC	44	"ENKHFINANCE NBFI" LLC
8	"BUSINESS-INVEST DEVELOPMENT NBFI" LLC	45	"DAMOA CAPITAL NBFI" LLC
9	"NINE SHIJIR INVEST NBFI" LLC	46	"FINANCE AND DEVELOPMENT OF MINING NBFI" LLC
10	"DEVELOPMENT FINANCE NBFI" LLC	47	"OCHIR UNDRAA OMZ NBFI" LLC
11	"CREDIT MN PLATFORM NBFI" LLC	48	"NUMUR CREDIT NBFI" LLC
12	"CREDITECH MONGOL NBFI" LLC	49	"MAIN STREET FINANCE NBFI" LLC
13	"MONGOLIAN MORTGAGE FUND NBFI" LLC	50	"INVESTOS NBFI" LLC
14	"FRANKFURT CAPITAL NBFI" LLC	51	"TELMEN KHAS NBFI" LLC
15	"BICHIL GLOBUS FINANCE NBFI" LLC	52	"ANDUUD FINANCE NBFI" LLC
16	"TABANBOGD FINANCE NBFI" LLC	53	"MONGOLJIN BENCHUR CAPITAL NBFI" LLC
17	"FINROOT-INVESTMENT NBFI" LLC	54	"MONGOLIAN FINANCIAL GROUP NBFI" LLC
18	"KHATAN SUUDAL INVEST NBFI" LLC	55	"ASHID GOLOMT NBFI" LLC
19	"BSB FINANCE NBFI" LLC	56	"ECOCAPITAL NBFI" LLC
20	"JETFINANCE NBFI" LLC	57	"ENT CREDIT INVESTMENT NBFI" LLC
21	"SECURE FINANCE NBFI" LLC	58	"ABTS NBFI" LLC
22	"IKH IREEDUI CAPITAL NBFI" LLC	59	"TRANSCAPITAL NBFI" LLC

23	"BERS FINANCE NBFI " LLC	60	"DARI FINANCE NBFI " LLC
24	"GOLDEN HILL PARTNERS NBFI " LLC	61	"GREEN FINANCE NBFI " LLC
25	"INVESCORE NBFI " LLC	62	"CENTRAL CAPITAL NBFI " LLC
26	"MICROCREDIT NBFI " LLC	63	"TSEGTS KHURUNGU NBFI " LLC
27	"TRANS FINANCE NBFI " LLC	64	"GOBI FINANCE NBFI " LLC
28	"FINCO CAPITAL NBFI " LLC	65	"ECO CREDIT NBFI " LLC
29	"KHAS KHAAN NBFI " LLC	66	"DEVELOPING ENTREPRENEURIAL MONGOLIA NBFI " LLC
30	"EXIMCAPITAL NBFI " LLC	67	"NVC NBFI " LLC
31	"SENDMN NBFI " LLC	68	"AVE NBFI " LLC
32	"BURENFINANCE NBFI " LLC	69	"B&G FINANCE NBFI " LLC
33	"GSB CAPITAL NBFI " LLC	70	"UNITED FINANCE NBFI " LLC
34	"CYBERNETIC NBFI " LLC	71	"BUMAN DUSAL NBFI " LLC
35	"NANOCAPITAL NBFI " LLC	72	"GAZAR CAPITAL PARTNERS NBFI " LLC
36	"MAGNA PROFIT AND INVESTMENT NBFI " LLC	73	"DEVJIKH NEKHII NBFI " LLC
37	"CLOVER NBFI " LLC	74	"IKH ERIN CAPITAL NBFI " LLC

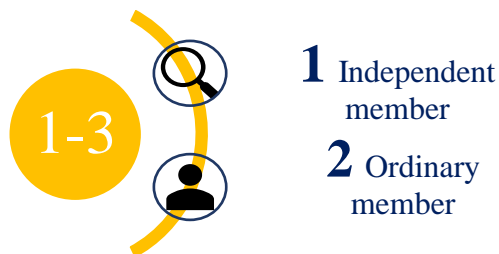
## 7. IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODE FOR INVESTMENT MANAGEMENT COMPANIES

FIGURE 22. GROWTH IN THE IMPLEMENTATION OF THE CODE:



**Note 15:**  
 The follow-up assessment on the Code's implementation conducted for 12 investment management companies showed an increase of 27.7%.

FIGURE 23. BOARD COMPOSITION:



**Note 16:**  
 The Board of Directors consists of 3 members, with 33.3% being independent members.

**Note 17:**  
 37.5% of all board members are women.

FIGURE 24. BOARD OPERATION :

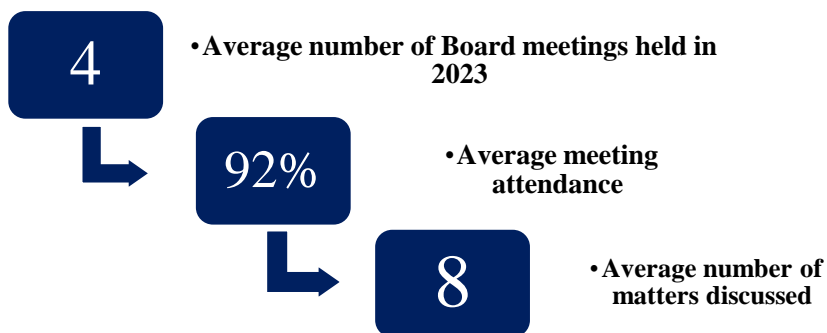


FIGURE 25. WORKING EXPERIENCE OF BOARD MEMBERS WORKING AS AUTHORIZED OFFICIALS (annual):

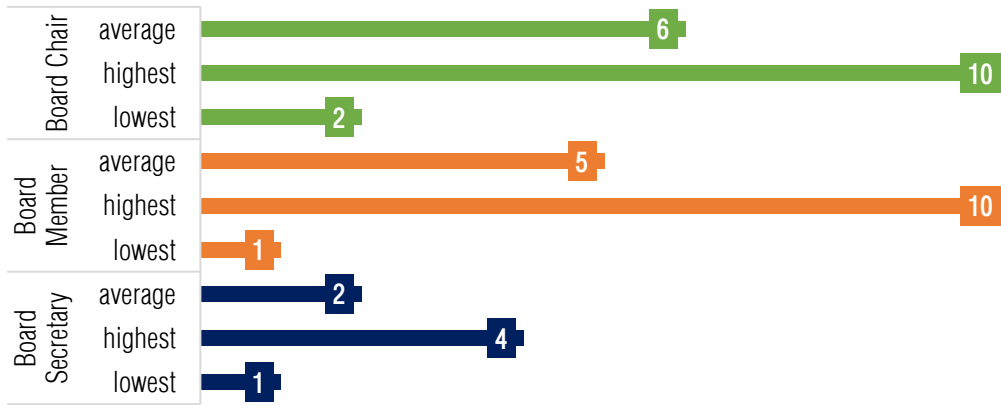


FIGURE 26. BOARD SECRETARY:

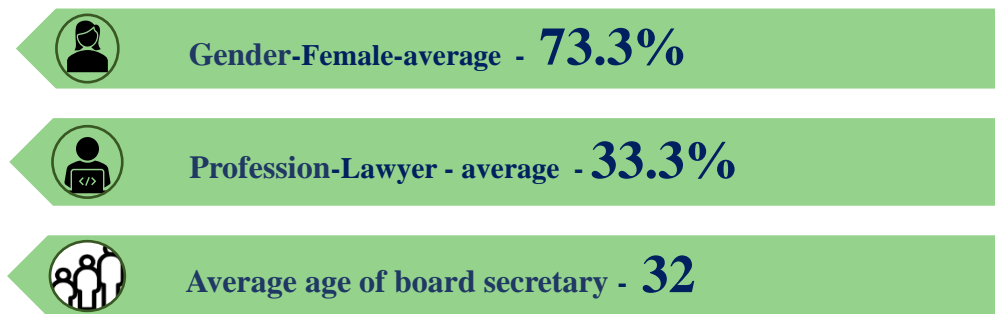


FIGURE 27. AGE AND PROFESSION OF BOARD MEMBERS:

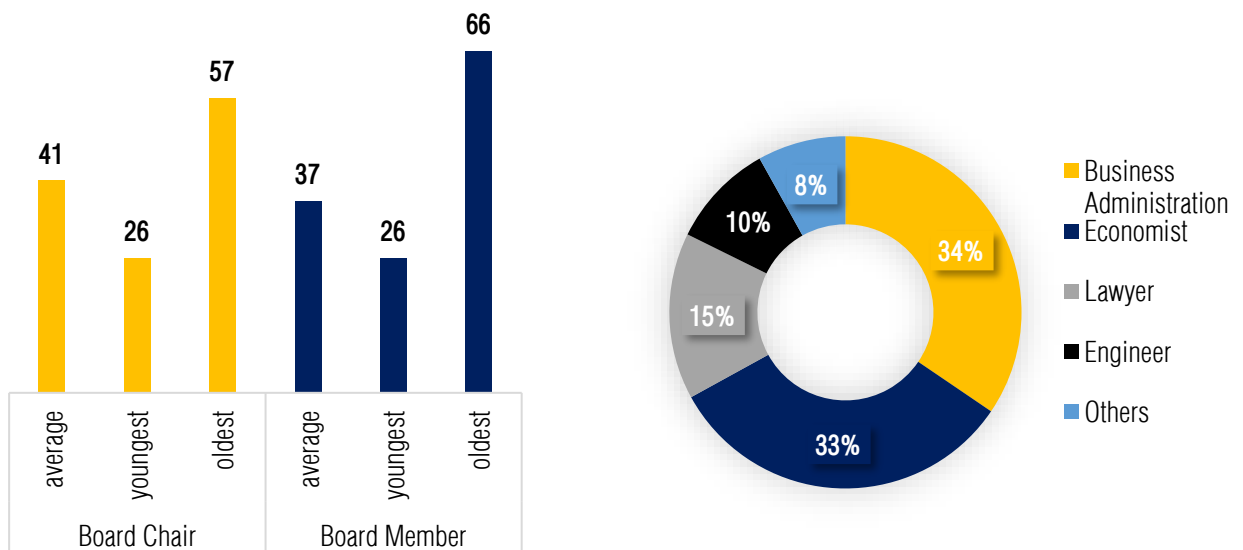
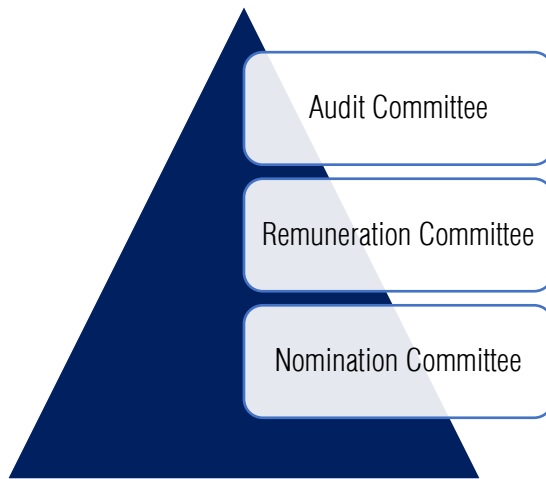


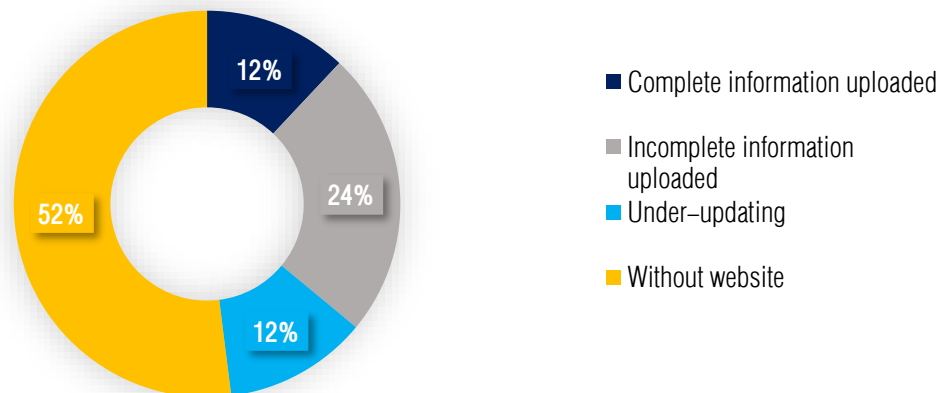
FIGURE 28. COMMITTEE UNDER THE BOARD OF DIRECTORS:



**Note 18:**

*Each committee under the board of directors has an average of 2–3 members.*

FIGURE 29. OPEN AND TRANSPARENCY OF INTERNAL RULES AND REGULATIONS POSTED ON THE WEBSITE:



**Note 19:**

*As of 2023, 33.0% of companies have posted their company rules on the website.*

**Note 20:**

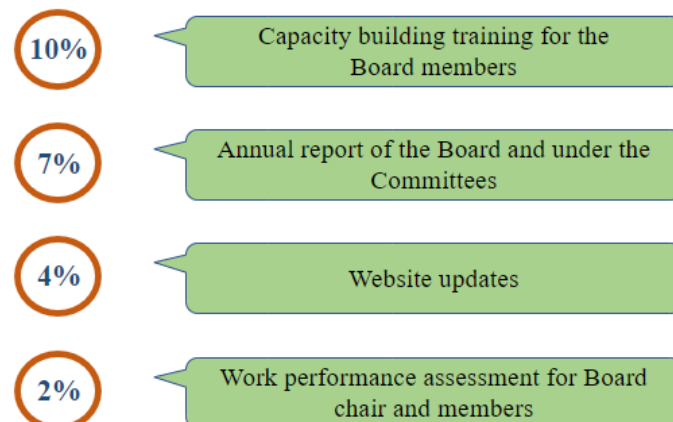
*During the reporting quarter, 25.0% disclosed their internal regulations.*

FIGURE 30. CODE'S INDICATORS IMPLEMENTED WELL AND WORSE:

**Corporate governance indicators implemented well:**



**Corporate governance indicators implemented worse:**



**8. RATING BY ASSESSMENT OF THE "CORPORATE GOVERNANCE CODE" PERFORMANCE** (Companies that submitted follow-up assessments are highlighted in green)

Rank	Name of Companies	Rank	Name of companies
1	ULAANBAATAR INVESTMENT MANAGEMENT UCC LLC	15	MASTER INVESTMENT LLC
2	ARD MANAGEMENT SECURITIES COMPANY LLC	16	TDB CAPITAL LLC
3	ASHID ASSET MANAGEMENT LLC	17	NATIONALFUND MANAGEMENT LLC
4	N&G SECURITIES COMPANY LLC	18	AVALON INVESTMENT LLC
5	DBM ASSET MANAGEMENT LLC	19	BAT CAPITAL MANAGEMENT LLC
6	MANDAL ASSET MANAGEMENT LLC	20	BBSA SC LLC
7	SOD ASSET MANAGEMENT LLC	21	EXPONENTIAL FUND MANAGEMENT LLC
8	BALANCED GROWTH MANAGEMENT LLC	22	UAN PARTNERS SC LLC
9	UNITY ASSET MANAGEMENT LLC	23	ALFAFINANCE LLC
10	INVESCORE ASSET MANAGEMENT LLC	24	IKH CHINGGIS KHAANI KHUMRUG LLC
11	ULAANBAATAR ASSET MANAGEMENT LLC	25	TB ASSET MANAGEMENT LLC
12	RHINOS ASSET MANAGEMENT LLC	26	GOLOMT ASSET MANAGEMENT LLC
13	OCHUN SC LLC	27	BUM ARD INVEST LLC
14	UUREG ASSET MANAGEMENT LLC		

**9. ADDITIONAL ADJUSTMENTS MADE TO THE ASSESSMENT METHOD OF THE "CORPORATE GOVERNANCE CODE"**

By the end of 2023, adjustments were made to the assessment methodology of the Corporate Governance Code, leading to changes in the assessment results. The FRC mandated publicly listed companies to incorporate their implementation details in the assessment report and submit it to the FRC by the first quarter of 2024.

- Assess the annual work performance of the Board of Directors, Board Chair and members, and committees under the Board.

As a consequence of the non-implementation of the above directions, adjustments were made to deduct 1 point from the results of the relevant indicators in the integrated assessment report.

-oOo-