

Approved by the Governor of Bank of Mongolia in 27 Nov 2018, Decree No. A-293

REGULATION OF OFF-SITE SUPERVISION OF THE BANKS
ON ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM AND
PROLIFERATION

ONE. GENERAL PROVISION

1.1 This regulation shall be used to the conduct of an off-site analysis, evaluation, and conclusion related to compliance of the banks against the Law on Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT), related Government decrees, regulations and guidelines approved by the decree of the Governor of Bank of Mongolia (BOM) and to assess bank's ML/CF risk in order to establish examination period, frequency, scope and assessing indicator prior to onsite examination.

1.2 Off-site supervision activities include followings:

1.2.1 Conducting analysis of information received from banks in relation to their customers, products and services, geographic spread of business and delivery channels, reviewing and evaluating banks' AML/CFT risk management policies and procedures, reviewing other information required from banks, receiving follow-up periodic reports on given assignments and on-site examinations;

1.2.2 Based on submitted reports, activities of AML/CFT, tasks and information to make conclusion and implement; To ensure compliance to give guidance and recommendation on further arrangements or measurements, to take appropriate measures on detected violations to implement law and regulation and prevent ML/CF risks.

1.2.3 Based on submitted reports and information (such as the bank's policies and procedures, market intelligence, quarterly compliance officer report, internal and/or external audit reports, reports to the bank's board, information from the FIU, and the bank's own documented risk assessment to identify current risks to establish examination period, frequency, scope and assessing indicator prior to onsite examination;

TWO. REPORTS AND INFORMATION FOR OFF-SITE SUPERVISION

2.1 Following reports and information shall be used for off-site supervision:

2.1.1 "Risk evaluation matrix" of AML/CFT activities /Annex 1 of this regulation/;

2.1.2 “Quantitative Data Collection Sheet” of the “Risk assessment matrix” /Annex 2 of this regulation/;

2.1.3 “Internal control and Compliance Assessment Questionnaire” /Annex 3 of this regulation/;

2.1.4 Follow up report from the bank on recommendations and remedial actions required to be implemented as result of off-site analysis of information and on-site examinations;

2.1.5 Copy of the AML/CTF quarterly report presented to the banks’ board of directors;

2.1.6 Information from the FIU about Cash transaction, foreign transaction, suspicious transaction reporting performance of the bank. Such information should include reporting performance, number of reports submitted, timeliness of reports, whether the information reported is consistent and complete and, responses to requests and inquiries received from the FIU;

2.1.7 Copies of internal and external audit reports or other reports as they relate to AML/CFT issues and also status of follow-up of deficiencies identified by internal/external audit/if this a case/;

2.1.8 Information from foreign supervisors relating AML/CFT examinations/ supervisor actions/sanctions concerning the bank’s overseas operations and the same for foreign banks operating in Mongolia/if this is a case/;

2.1.9 Press reports and other market information;

2.1.10 Documents and materials sent from the bank about the origin and source of investment to increase the share capital or secondary debts;

2.1.11 Statement, application, inquiry and other additional information about bank’s shareholders, board of the directors, executive management, and AML/CFT compliance officer;

2.1.12 Article 6.3 of “Banking law” and risk management assessment of risks emanating from new products and services and its delivery channels;

2.1.13 required documentation and information by supervisor for implementation of law;

2.1.14 Additional information, disclosure received by supervisor during the meeting with bank’s management;

THREE. RECEPTION AND ACCEPTANCE OF REPORTS AND INFORMATION

3.1 Reports and conclusion indicated in 2.1.4, 2.1.5 and 2.1.6 must be received quarterly, documents and information indicated in 2.1.7, 2.1.8 and 2.1.9 must be received every time changes are made, information indicated in 2.1.10 and 2.1.11 must be received if necessary.

3.2 Off-site supervision assessment of bank’s AML/CFT activities must be conducted on an on-going basis and data collection sheet and questionnaire indicated in

2.1.2 and 2.1.3 are to be submitted on a six monthly basis. Bank's ML/FT risk assessment should be updated by risk evaluation matrix indicated 2.1.1.

3.3 Supervisors must control and ensure whether report, information is received full, timely and approved by bank's management according to the approved form and instruction.

3.4 Supervisor must register report, documents, information in secretariat according to the related regulations and attach materials in bank's profile and maintain confidentiality and security of information.

3.5 Supervisor shall check and monitor effectiveness and adequacy of the risk factors, risk weights used in risk matrix and data collected and coverage of ML/FT questionnaire on an on-going basis, if any improvement needs can have amended by decision of AML/CFT Supervision Council of BoM. Any changes made to the risk matrix must be applied to all banks to ensure that calculations are consistent.

3.6 Supervisors will revise and update the risk assessment and risk matrix of the bank on an on-going basis as new information comes to light and for emerging ML/TF risks as identified by BoM or the National Risk Assessment.

3.7 Offsite assessment of bank's AML/CFT activities must be conducted on an on-going basis. The risk assessment should be updated if there is a significant event or developments in the management or operations of the bank or the financial group including the bank which impacts the risk profile.

3.8 After onsite examination off site supervisors shall review reports of onsite examinations and in conjunction with onsite supervisors and revise and update the risk assessment of the bank.

FOUR. CONCLUSION OF OFF-SITE SUPERVISION

4.1 The results of offsite analysis, including those obtained from the risk matrix and other information shall be used to develop a supervisory strategy to address any concerns about the bank's AML/CFT risk management. These results of analysis prepared by offsite supervisors will be used to determine on-site supervision activities and the extent of these activities will be determined by the level of risk. Findings and proposals about next year's onsite examination for each bank including scope and focus of the examination, and frequency must be submitted to AML/CFT Supervisory Board.

4.2 Report of off-site supervision shall focus on following topics:

4.2.1 Assessment of data collection sheet and questionnaire indicated in 2.1.2 and 2.1.3 used for bank's risk evaluation matrix indicated 2.1.1;

4.2.2 Analysis of results of obtained from the risk matrix, including the trends in the direction of risk and sources of risk (inherent risk from significant business activities, customers etc.) or adequacy of risk management;

4.2.3 Assessment of a bank's risk management policies and procedures, and deficiencies with the Law and other requirements;

4.2.4 Implementation of previous supervision findings including rectification orders given for risk mitigation measures and AML/CFT activities;

4.2.5 Offsite supervisors shall submit suggested actions plans and monitor progress in addressing issues identified for each bank.

4.2.6 Findings and proposals about next year's onsite examination for each bank including scope and focus of the examination, and frequency must be submitted to AML/CFT Supervisory Board;

4.2.7 Proposal about take appropriate measures on detected violations for bank and its management;

FIVE. LIABILITY

5.1 Non-compliance with this regulation will be charged with the responsibility according to relevant laws and regulations.

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