

DRAFT LAW ON INVESTMENT BANK HAS BEEN SUBMITTED TO THE STATE GREAT KHURAL (PARLIAMENT) OF MONGOLIA

December 10, 2016. Parliamentary office's media and public relations division has announced that members of Parliament including Javkhlan.B, Khaynkhyarvaa.D, Batzorig.B, Narantuya.Z and Undarmaa.B, initiated the draft Law on "Investment bank" and submitted the bill to Enkhbold.M, Chairman of the State Great Khural.

In countries like Mongolia, with relatively small and open economy, the entry of foreign banks into domestic market is particularly important to join the financial sector integration and further accelerate the development of banking sector. The lawmakers believe that the proposed law will result positive economic impacts in short time, such as facilitating the development of domestic financial market, improving the flow of foreign currency and increasing the financial resources.

The investment bank will be authorized to provide long-term debt financing for major projects, process foreign and local transactions related to borrower's bank account, provide loan guarantees on it's name, purchase and sale securities, loan and other financial instruments, and perform other investment activities and services in accordance with client's instruction. However it is banned from organizing controlled and subsidiaries and conduct activities other than allowed by the law. In other words, banks that will conduct their operations in Mongolia with investment purposes are unable to operate in domestic market with manners other than investment according the operational limitations stated in the draft law the proposed makes it impossible to attract financial sources by communicating with citizens savings and domestic economic entities.

According to the draft law, "Investment bank's minimum amount of capital shall be no less than 500 billion tugrugs" (appx US\$ 200 million) while "amount of loans and guarantees issued by an investment bank shall be no less than 100 billion tugrugs" (appx US\$ 40 million).

Once the draft law is passed, legal environment of accessing to the domestic market only in investment will be created for foreign banks and opportunity to fund large projects, will be created.

Although the economy is facing difficult situations and credit ratings are being decreased, there are 5 foreign banks willing to conduct their operations in Mongolia.

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