



5<sup>th</sup> Follow-Up Report

# Mutual Evaluation of Mongolia

July 2022





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## **MONGOLIA: 5<sup>TH</sup> ENHANCED FOLLOW-UP REPORT FEBRUARY 2022**

### **I. INTRODUCTION**

1. The mutual evaluation report (MER) of Mongolia was adopted in September 2017.
2. This FUR analyses the progress of Mongolia in addressing the technical compliance requirements of the recommendations being re-rated. Technical compliance re-ratings are given where sufficient progress has been demonstrated.
3. This report does not analyse any progress Mongolia has made to improve its effectiveness.
4. The assessment of Mongolia's request for technical compliance re-ratings and the preparation of this report was undertaken by the expert, *Ms. Nirmala Devi Ramadass, Bank Negara Malaysia*.
5. Section III of this report summarises the progress made to improve technical compliance. Section IV contains the conclusion and a table illustrating Mongolia's current technical compliance.

### **II. FINDINGS OF THE MUTUAL EVALUATION REPORT & FOLLOW-UP**

6. Mongolia's MER ratings<sup>1</sup> and updated ratings based on earlier FURs<sup>2</sup> are as follows:

<b>R.</b>	<b>Rating</b>
1	PC (MER 2017) ↑ LC(FUR 2021)
2	PC (MER 2017) ↑ LC (FUR 2019)
3	LC (MER 2017)
4	LC (MER 2017)
5	LC (MER 2017)
6	PC (MER 2017) ↑ LC (FUR 2019)
7	NC (MER 2017) ↑ LC (FUR 2019)
8	PC (MER 2017)
9	LC (MER 2017)
10	LC (MER 2017)
11	C (MER 2017)
12	LC (MER 2017)
13	LC (MER 2017)
14	PC (MER 2017) ↑ C (FUR 2020)
15	LC (MER 2017) ↓ PC(FUR 2020)
16	LC (MER 2017)

<b>R.</b>	<b>Rating</b>
21	PC (MER 2017) ↑ C (FUR 2019)
22	NC (MER 2017) ↑ LC (FUR 2019)
23	NC (MER 2017) ↑ LC (FUR 2019)
24	PC (MER 2017) ↑ LC (FUR 2019)
25	PC (MER 2017) ↑ LC (FUR 2019)
26	PC (MER 2017) ↑ LC (FUR 2019)
27	LC (MER 2017)
28	NC (MER 2017) ↑ PC (FUR 2019) ↑ LC(FUR 2019)
29	PC (MER 2017) ↑ C (FUR 2019)
30	C (MER 2017)
31	C (MER 2017)
32	PC (MER 2017) ↑ LC (FUR 2019)
33	PC (MER 2017) ↑ LC (FUR 2019)
34	PC (MER 2017) ↑ LC (FUR 2019)
35	PC (MER 2017) ↑ LC (FUR 2020)
36	C (MER 2017)

<sup>1</sup> There four possible levels of technical compliance are: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC). Effectiveness ratings for the 11 Immediate Outcomes are: Low, Moderate (Mod), Substantial or High.

<sup>2</sup> Current ratings and the year confirmed are indicated based on the original MER or follow-up re-ratings.

R.	Rating
17	NC (MER 2017) ↑ LC (FUR 2019)
18	LC (MER 2017)
19	PC (MER 2017) ↑ LC (FUR 2019)
20	LC (MER 2017)

R.	Rating
37	C (MER 2017)
38	LC (MER 2017)
39	LC (MER 2017)
40	LC (MER 2017)

7. Given these results and the effectiveness ratings in the MER, Mongolia was on enhanced follow-up as of the last FUR<sup>3</sup>.

### III. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

8. In keeping with the APG Mutual Evaluation Procedures, this FUR considers progress made up until 1 February 2022. In line with the ME Procedures and FATF Methodology, the review team analysis has considered progress to address the deficiencies identified in the MER and the entirety (all criteria) of each Recommendation under review, noting that this is cursory where the legal, institutional or operational framework is unchanged since the MER or previous FUR.

9. This section summarises the progress made by Mongolia to improve its technical compliance by implementing new requirements where the FATF Recommendations have changed since the MER was adopted.

#### 3.1. Progress on Recommendations which have changed since adoption of the MER

10. R.15 was amended after the adoption of Mongolia's MER in 2017. Mongolia's compliance with the new requirements R.15 were assessed in its 2020 and 2021 FURs (3<sup>rd</sup> and 4<sup>th</sup> FURs respectively).

11. Reflecting changes to the legal and operational framework, Mongolia requested a re-rating of R.15 which was rated PC in the last FUR. The APG welcomes the steps that Mongolia has taken to improve its technical compliance with R.15. As a result of this progress, Mongolia has been re-rated on R.15 from PC to LC.

#### *Recommendation 15 (Originally rated LC, downgraded in 2020 FUR)*

12. In its 2017 MER, Mongolia was rated LC with R.15. In October 2018, R.15 was amended to include requirements relating to virtual assets (VA) and virtual asset service providers (VASPs). Subsequent to this, Mongolia's compliance with R.15 was re-rated as PC in its 2020 FUR. Mongolia requested a re-rating in its 2021 FUR however R.15 remained rated PC. During the 2021 FUR, Mongolia reported that controls were in place for new technologies and Mongolia had completed a risk assessment of their VASP sector. However, Mongolia was in the process of enacting relevant laws to regulate VA/VASPs.

13. **Criterion 15.1** is met. As outlined in the 2021 FUR, Mongolia has conducted several national and sector level ML/TF risk assessments, including on new technologies The Law on Combating Money Laundering and Terrorism Financing (AML/CFT Law), the AML/CFT Preventive Measures Regulation (PMR) and the Financial Regulatory Commission (FRC) require an assessment of risks associated with products, services and delivery mechanisms utilising new technologies. The FRC has also conducted a

<sup>3</sup> There are three categories of follow-up based on mutual evaluation reports: regular, enhanced and enhanced (expedited). For further information see the APG Mutual Evaluation Procedures.

ML/TF sectoral risk assessment in end 2021 which included assessment of risks arising from development of new products and new technologies.

14. **Criterion 15.2** is met.

15. *Sub-criterion 15.2(a)*: As per the 2021 FUR, FIs are required to undertake the risk assessments prior to the launch/use of such products, practices and technologies (Art. 5.8 and 14.3 of the AML/CFT Law, Art. 10.1 of the PMR).

16. *Sub-criterion 15.2(b)*: Those provisions also require FIs to take appropriate measures to manage and mitigate risks.

17. **Criterion 15.3** is mostly met.

18. *Sub-criterion 15.3(a)*: Mongolia has identified and assessed ML/TF risks related to the VA activities and VASPs through its VASP risk assessment (published in 2021). The 2021 joint agency ML/TF VASP risk assessment has considered risks arising from development of new products and new technologies in the sector. The risk assessment conducted in 2021 was reasonable as the VA sector was at the early stages of development and the assessment covered the VASP market in its early stages. Mongolia indicated that the 2021 risk assessment found that there were only 3 VASPs operating in Mongolia at that time, which were all covered in VA risk assessment. 18 additional VASPs were identified through the risk assessment being conducted in 2022 and were found to have all been established in mid-late 2021 to early 2022.

19. The 2021 VASP risk assessment resulted in medium-low ratings for both ML and TF risks because the assessment was based on a small number of VASPs (i.e. three providers), contributing to a minimal amount to the GDP of the country at that time. However, there is a concern as the risk rating derived in 2020 may not have been accurate as there was no registration regime nor a legal framework for the sector as there could be other foreign based VASPs in operation in the Mongolia market at that time. This deficiency is considered minor.

20. Following on from the 2021 assessment, Mongolia formed a VASP Risk Assessment Working Group through Mongolia's Financial Stability Council comprising of 12 government agencies, including the sector's regulator i.e. the FRC, to regularly assess and identify emerging risks. The working group is using the World Bank's recently revised methodology to develop and conduct an updated sectoral risk assessment, due to be issued in June 2022.

21. *Sub-criterion 15.3(b)*: Based on the ML/TF risks related to the VA activities and VASPs identified through its 2021 VASP risk assessment, Mongolia has implemented measures to prevent or mitigate ML and TF commensurate with the risks identified. This included the enactment of the Law on VASP (VASP Law) on 17 December 2021 along with amendments to other AML/CFT legislation. With these amendments, VASPs are regulated as reporting entities (REs) for AML/CFT purposes. FRC developed its Supervision Framework in late December 2021, which is applicable on FRC regulated sectors, including VASPs (effective from 17 December 2021), and is intended to assist FRC to implement risk-based approach on its supervision.

22. Based on FRC's 2021 preliminary risk assessment, FRC conducted joint on-site supervision with General Intelligence Agency (GIA) on those VASPs rated as medium, medium-high and high risk. These supervisory visits pre-date the December 2021 regulatory regime, however they assisted the FRC to design and apply a risk-based approach to ensure that measures to prevent or mitigate ML and TF are commensurate with the risks identified. This included transitional provisions in the VASP Law to cover VASPs present in the market prior to the registration regime being legislated.

23. *Sub-criterion 15.3(c)*: Mongolia requires its VASP operators to take appropriate steps to identify, assess, manage, and mitigate their ML and TF risks, as required by c.1.10 and c.1.11 (Art. 4, 5, 6, and 7 of the VASP Law). In addition, VASPs are also required to identify and assess their own ML/TF risks based on key factors such as geographical risk, customer risk, product risk and delivery channel (Art. 4.3 AML/CFT Law). VASPs are also required to manage and mitigate their ML/TF risks based on the requirements to have internal monitoring and risk management programmes (Art. 14.1 AML/CFT Law) and all other AML/CFT preventive measures are applicable to VASPs as REs (including Art. 2 AML/CFT Law).

24. **Criterion 15.4** is *mostly met*.

25. *Sub-criterion 15.4(a)*: In December 2021 Mongolia introduced a registration regime for VASPs (Art. 6, 7 and 8 VASP Law) which entered into force in February 2022. The VASP Law specifically defined VASPs as a legal entity conducting specific listed activities within the article for or on behalf of natural or legal persons (Art. 6 VASP Law). Mongolia also only allows legal persons to provide virtual asset services, subject to certain pre requirements as set out in Art. 7 of the VASP Law. FRC is the designated registration authority under the law and performs the necessary vetting including fit and proper tests prior to registration. At the time of this report a number of VASPs were subject to the statutory processes of registration by the FRC in keeping with transitional provisions (Art. 17 of the VASP Law). In those cases FRC conducts a range of assessments prior to final granting of registration occurring from 26 June 2022 onwards (Art.10.2 of the VASP law). The VASP Law applies to virtual asset services provided both within and from Mongolia (including legal persons that may not be providing virtual asset services in Mongolia) by VASPs who are legally registered entities in Mongolia (Article 3.1 of the VASP law). Mongolia's requirement for VASPs to be registered includes all legal persons or companies created or registered in jurisdiction, which extends to foreign companies registered in Mongolia.

26. *Sub-criterion 15.4(b)*: The FRC is designated as the authority to determine fit and proper criteria to ensure criminals are prevented from holding or being the beneficial owner (defined as a controlling ownership interest, i.e. persons holding 33% or more of shares, or if this cannot be identified, then the identity of the natural persons exercising control of the legal person indirectly or represented own rights by others – Art. 4.1 of the AML/CFT Law) of or holding a management function in a VASP (Art. 10.9 VASP Law). Art 8.1.8 of the VASP law also requires a VASP to seek permission from the FRC (and redo the fit and proper checking), when their beneficial ownership changes.

27. The fit and proper obligations in the VASP law are complemented by the FRC's Regulation on fitness and propriety for NBFIs and DNFBPs which determines the requirements that are subject to entities stated under Article 3.1 of the Law on Legal Status of the FRC. That law was amended to include VASPs, hence the FRC fit and proper regulation now also extends to VASPs.

28. The minor gap remaining is with a lack of explicit regulatory measures to prevent associates of criminals from holding or being the beneficial owner of or holding a management function in a VASP. The FRC Regulation (Paras 4.3.1 and 4.3.2) defines 'not involved in criminal case' as 'not being a criminal having committed financial crimes including money laundering and not being investigated for disciplinary or criminal case or not being a defendant in a litigation', which does not wholly cover criminal associations. FRC questionnaires meant for VASPs license applicants/beneficial owners/shareholders of VASPs to be completed as part of fit and proper assessment do not screen for 'associates of criminals' (Annex 1 & 2 of the FRC's Fit and Proper Regulations).

29. **Criterion 15.5** is *mostly met*. Mongolia has created a framework to identify natural or legal persons that carry out VASP activities without the requisite registration, through its Cooperation Agreement commencing January 2022) between several government agencies which enables the identifying of natural or legal persons illegally providing money or value transfer services (MVTs) and virtual asset services without FRC license/registration. The FRC through its Cooperation Plan also promote awareness amongst

the public on the prohibition from engaging with illegal VASPs and those responsible for reporting on illegal VASPs.

30. The inter-agency cooperation Agreement for identifying illegal MVTS and unregistered VASPs has begun to share information to identify and take action against unregistered VASPs.

31. Mongolia's Law on Infringement was amended to provide appropriate dissuasive sanctions for VASPs. Available sanctions for engaging in illegal VASP activity (i.e. without following FRC registration requirements under the VASP law) include the entity's assets and income being confiscated, in addition to fines. A natural person can be fined 20 million MNT (approx. USD 7, 000) and a legal entity can be fined 200 million (approx. USD 70,000).

32. **Criterion 15.6** is mostly met.

33. *Sub-criterion 15.6(a)*: Findings in Mongolia's previous FURs for Rec.26 and 27 are noted (both rated LC).

34. As noted above, based on FRC's 2021 preliminary risk assessment, FRC had conducted joint on-site supervision with the GIA on those VASPs rated as medium, medium-high and high risk. FRC relied on its powers for ensuring the stability of the financial market and protecting the rights of investors (Art. 4.1 of the Law on Legal Status of the FRC). Within the scope of this role, the FRC conducted the above-mentioned introductory onsite visit as VASPs participate in the financial market.

35. The FRC is now the competent authority for VASP regulation and supervision, supported enabling provisions in the VASPs law (Art. 10), and the law on Legal Status of FRC. The AML/CFT Law is also applicable on VASPs as operators are now considered reporting entities. While the FRC is empowered to conduct risk-based supervision of VASPs, however, the FRC is still in the process of finalising the necessary regulations for on-site and off-site supervision of VASPs<sup>4</sup>.

36. FRC's work to update preliminary updated risk assessment on VASPs operating in Mongolia is also a positive step, as this exercise would enable FRC to apply a risk-based approach on supervision of VASPs particularly, however this assessment has not yet been completed and will be issued in June 2022.

37. Mongolia demonstrated that the FRC has used qualitative and quantitative data gathered by the newly formed VASPs Working Group to determine the multiple risk factors (such as operational and business risks) for a total of 21 VASPs operators. While this is positive, the newly introduced registration regime will only be from 26 June 2022 onwards. As the registration regime has not yet finalised vetting of initial market entrants, a revised risk assessment may not adequately consider the risks posed by the VASP sector or inform a risk based approach to supervision until the registration regime is wholly implemented and has been in place for some time.

*Sub-criterion 15.6(b)*: The AML/CFT Law (Art. 19), the FRC Law (Art. 3.1 and 24) and the VASP Law (Art.10) accord the FRC with adequate supervisory powers for VASPs. These include powers to conduct inspections, compel production of information, take disciplinary actions, impose fines on violations of laws, restrict, suspend, terminate partially or fully VASP operations (Art. 24, 25 and 27 FRC Law) and deregistration (Art. 10.9.9 and Art. 11 VASP Law). Amendments to the Infringement Law also enhanced FRC's power to impose sanctions on VASPs (Art. 11.33). This power is in addition to the power provided to FRC under the AML/CFT Law (Art. 23.2).

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<sup>4</sup> Two regulations elaborating further detail of VASP supervision were issued by the FRC on 25 May 2022 - *Regulation on restriction and suspension of VASP activities* and *Regulation on offsite and onsite supervision in VASPs*. These regulation have not been analysed or considered for compliance with this criterion as they came into force after the cut-off date for this report.

38. **Criterion 15.7** is mostly met.

39. Mongolia has translated and issued guidance based on FATF's Guidance for a Risk-Based Approach to VAs and VASPs as well as VAs Red Flag Indicators of ML/TF Financing. Other AML/CFT guidelines issued to REs now apply to VASPs, as they are included as REs (Article 4.1 and of the AML/CFT Law in December 2021). FRC and the FIU are able to issue guidelines (Article 19.2.1 of the AML/CT Law)

40. In January 2022, FRC undertook outreach initiatives with VASPs to raise their awareness on the new AML/CFT requirements particularly reporting of suspicious transactions, customer due diligence and targeted financial sanctions (TFS). Guidance was provided to the sector on STR reporting and other obligations.

41. FIU-Mongolia has organized or co-organized more than 16 different events involving representatives of supervisory authorities, law enforcement agencies and other government organizations as well as the VASP sector.

42. **Criterion 15.8** is mostly met.

43. *Criteria 15.8(a)*: Mongolia has a range of sanctions available to deal with VASPs that fail to comply with AML/CFT requirements. Sanctions under the VASP Law include administrative measures against the VASP, including suspension or deregistration (Art. 10 & 11). The AML/CFT Law includes powers of the FRC for dismissal, orders to improve compliance, warnings and revocation of VASPs operations (Art. 23.2 AML/CFT Law). In accordance to Article 23.3 of the AML/CFT Law. In the case of both the AML/CFT Law, VASPs that do not comply with directions and rectification measures imposed by the FRC under the VASP Law or the AML/CFT Law can be subjected to sanctions imposed under the Law on Infringement. FRC has sanctioning powers under the Law on Legal Status of FRC (Art. 24 and 25) to impose administrative sanctions and revoke license or deregister registered entities

44. The Law on Infringement imposes punitive fines (punitive fines can be imposed on natural persons up to 20,000 units (approx. USD 7,000) / legal persons up to 200,000 units (approx. USD 70,000) for providing VASPs services without registration. While these fines may be proportionate with other similar infringements and offences in Mongolia, they may not be dissuasive.

45. *Criteria 15.8(b)* – The sanctions stated above can also be imposed beyond VASP, including its directors, senior management, authorised officers and related person (Art. 232 AML/CFT Law; Art. 11.33.5 Infringement Law).

46. In line with Criterion 15.8(a), Article 23.2.4 of the AML/CFT Law enables supervisors to issue orders to revoke, suspend and change high-level management officials of VASPs. Further Article 23.3 goes on to state for REs that fail to meet directions of Article 23.2 can be subjected to sanctions imposed under Article 11.33.5 of the Infringement Law. Article 11.33.3 of the Infringement Law which was amended in December 2021 also provides for punitive sanctions on the VASPs, related persons, governing persons and employees of the VASPs who fail to provide specified information to FRC. Paragraph 84.1 of the Company Law defines the governing person widely to include person who participates directly or indirectly in the process of making official decisions of a company or concluding transactions or agreements such as members of a Board of Directors and executive management team of a company, the executive director, chief financial officer, general accountant, general specialists and secretariat of Board of Directors. As such sanctions in the Law on Infringement, Criminal code, Law on Combating Money Laundering and Terrorism Financing apply to VASPs and their directors, senior management, and beneficial owners, as well as VASP staff.



47. **Criterion 15.9** is mostly met.

48. *Criteria 15.9(a)*: Mongolia was rated LC for R.10 in the MER. Mongolia's AML/CFT preventive measures (Recs. 10 to 21) are provided within the AML/CFT law (Article 5, Article 8, Article 9 and Article 14) as well as its PMR and are applicable on to all REs, including VASPs in accordance with Article 4 of the AML/CFT Law. These preventive measures include occasional transactions with a designated threshold of above which VASPs are required to conduct CDD is MNT 20 million (approx. USD 7020) (which is above the FATF threshold of USD 1,000) and is within Article 5.1.2 of the AML/CFT Law.

49. *Criteria 15.9(b)*: Mongolia was rated LC for R.16 in the MER. The AML/CFT law through Article 5.10 contains provisions covering requirements to obtain information on originating VASPs and beneficiary VASPs for virtual asset transfers (by virtue of being a RE). Further as VASPs are invoked as reporting entities under Article 4 of the AML/CFT law, all wire transfer obligations and preventive measures within the AML/CFT Law apply to VA transfers as well as Article 12 of the PMR, which contains obligations to acquire originator and beneficiary information, is applicable to VASPs by virtue of the sector being RE.

50. Article 5.6 and 5.10 of the AML/CFT Law ensure obligations would apply to VASPs when sending or receiving virtual asset transfers on behalf of a customer and the VASP should not proceed further if the requirements within the articles is not complied with. Also only FRC registered VASPs can send and receive VA transfers on behalf of the customer as provided in Article 6.1 of the VASP law<sup>5</sup>. Financial institutions are not permitted to be registered as VASPs or provide VA services on behalf of customers. The VASP Law (Art. 7.7) prohibits VASPs from engaging in activities other than those specified in Article 6.1 of the law (financial services other than VA related activities)..

51. Article 6<sup>1</sup>.2 of the Law on Combatting ML & TF which mentions freezing without delay and prior notice is in relation to implementation of UNSCR and related sanctions and is applied across all REs. Amendments to the Law in December 2021 explicitly extended this obligation to registered VASPs and their VA transactions, which would include the freezing of wire transfers by VASPs.

52. **Criterion 15.10** is mostly met.

53. Mongolia was rated LC for R.6 & R.7 in the 2019 FUR. Mongolia implements TFS requirements such as communication mechanisms, reporting obligations and monitoring referred to in criteria 6.5(d) (Articles 14, 23 and 24 of Law on Proliferation and Terrorism), 6.5(e)(Article 14.1.11), 7.2(d), 7.2(e) and 7.3 on REs and by virtue of amendments made to the VASPs law and AML/CFT Law in December 2021, VASPs are REs under Article 4.1 of the AML/CFT law.

54. Article 6.1 of the AML/CFT law prohibits VASPs to on-board sanctioned persons/entities whilst Article 23.7 of the Law on Countering Weapons of Mass Destruction Proliferation and Terrorism (Law on CPF) requires FRC to enforce and monitor targeted financial sanctions compliance of VASPs (RE). Additionally, Article 14.4.6 of the Law on CPF also requires all REs to execute UNSCR sanction without delay in conjunction with assets freezing mechanisms.

55. **Criterion 15.11** is mostly met.

56. Mongolia was rated as largely compliant/compliant with international cooperation requirements under R.37-40. The VASP Law (Art. 15) provides for cooperation with similar functioning international

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<sup>5</sup> The April 2022 FRC regulations on VASPs operations contain requirements to collect originator and beneficiary information for VA transactions amounting to MNT 3 million and above (approx. USD 975). (Article 3.2 and 3.3 of the Regulations). This regulation was issued after the cut-off deadline of this report.

bodies and other foreign counterparts. This new legal framework enables FRC and LEAs to have wide ranging foreign cooperation arrangements on ML and TF for VASPs specifically, including providing the legal basis for exchange of information on AML/CFT supervision. However, instruments do not set out the need for timely international cooperation to exchange information.

#### *Weighting and Conclusion*

57. The introduction of a legal framework to regulate and monitor VA and VASPs and other initiatives by Mongolia to spread public awareness of the emerging sector has enabled the authorities to mitigate ML/TF risk of VASPs and VA in Mongolia. Mongolia has taken mitigating measures based on the findings of the previous VASP risk assessment and preliminary onsite supervision. Mongolia is conducting another VASP risk assessment following the introduction of a registration regime. VASPs are included as REs and subject to full AML/CFT obligations (AML/CFT Law and PMR) and preventive measures. Gaps remain as FRC will not complete the full VASPs registration process until June 2022, minor elements of fit and proper, a need for further clarity with risk-based supervision of VASPs and dissuasive monetary penalties in the case of non-compliance.

58. **Recommendation 15 is re-rated to largely compliant**

#### **IV. CONCLUSION**

59. Overall, Mongolia has made significant progress in addressing the technical compliance deficiencies identified since the amendment of R.15 and its last FUR and only minor deficiencies remain. Mongolia has been re-rated LC on R.15.

60. A summary table setting out the underlying deficiencies for the recommendation assessed in this report is included at Annex A.

61. In light of the progress made by Mongolia since its MER was adopted, its technical compliance with the FATF Recommendations is as follows as of February 2022:

<b>R.</b>	<b>Rating</b>	<b>R.</b>	<b>Rating</b>
1	PC (MER 2017) ↑ LC(FUR 2021)	21	PC (MER 2017) ↑ C (FUR 2019)
2	PC (MER 2017) ↑ LC (FUR 2019)	22	NC (MER 2017) ↑ LC (FUR 2019)
3	LC (MER 2017)	23	NC (MER 2017) ↑ LC (FUR 2019)
4	LC (MER 2017)	24	PC (MER 2017) ↑ LC (FUR 2019)
5	LC (MER 2017)	25	PC (MER 2017) ↑ LC (FUR 2019)
6	PC (MER 2017) ↑ LC (FUR 2019)	26	PC (MER 2017) ↑ LC (FUR 2019)
7	NC (MER 2017) ↑ LC (FUR 2019)	27	LC (MER 2017)
8	PC (MER 2017)	28	NC (MER 2017) ↑ PC (FUR 2019) ↑ LC(FUR 2019)
9	LC (MER 2017)	29	PC (MER 2017) ↑ C (FUR 2019)
10	LC (MER 2017)	30	C (MER 2017)
11	C (MER 2017)	31	C (MER 2017)
12	LC (MER 2017)	32	PC (MER 2017) ↑ LC (FUR 2019)
13	LC (MER 2017)	33	PC (MER 2017) ↑ LC (FUR 2019)

<b>R.</b>	<b>Rating</b>
14	<b>PC</b> (MER 2017) ↑ <b>C</b> (FUR 2020)
15	<b>LC</b> (MER 2017) ↓ <b>PC</b> (FUR 2020) ↑ <b>LC</b> (FUR 2022)
16	<b>LC</b> (MER 2017)
17	<b>NC</b> (MER 2017) ↑ <b>LC</b> (FUR 2019)
18	<b>LC</b> (MER 2017)
19	<b>PC</b> (MER 2017) ↑ <b>LC</b> (FUR 2019)
20	<b>LC</b> (MER 2017)

<b>R.</b>	<b>Rating</b>
34	<b>PC</b> (MER 2017) ↑ <b>LC</b> (FUR 2019)
35	<b>PC</b> (MER 2017) ↑ <b>LC</b> (FUR 2020)
36	<b>C</b> (MER 2017)
37	<b>C</b> (MER 2017)
38	<b>LC</b> (MER 2017)
39	<b>LC</b> (MER 2017)
40	<b>LC</b> (MER 2017)

62. Mongolia has 39 Recommendations rated C/LC. Mongolia will remain in enhanced follow-up. Mongolia's next progress report is due 1 February 2023.

*Summary of Technical Compliance –Deficiencies underlying the ratings*<sup>6</sup>

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating <sup>7</sup>
R.15	LC (MER) PC (FUR 2020) PC (FUR 2021) LC (FUR 2022)	<ul style="list-style-type: none"> <li>• A number of steps in the assessment of risk and risk-based response will only be finalised in mid-2022 (c.15.3).</li> <li>• Fit and proper requirements do not appear to extend to criminal associates (c.15.4(b)).</li> <li>• Fines available are proportionate with other similar infringements and offences in Mongolia, but they may not be dissuasive and not all sanctions are applicable to directors and senior management (c.15.8).</li> <li>• Minor gaps in relation to CDD, the travel rule (c.15.6(a)).</li> <li>• Minor gaps in relation to Mongolia's international cooperation framework (15.11).</li> </ul>

<sup>6</sup> Ratings and factors underlying the ratings are only included for those recommendations under review in this FUR.

<sup>7</sup> Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.