

Mongolia

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - Mongolia	
Sanctions:	None
FATF list of AML Deficient Countries	No
Higher Risk Areas:	Weakness in Government Legislation to combat Money Laundering Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.)
Medium Risk Areas:	Non - Compliance with FATF 40 Recommendations US Dept of State Money Laundering Assessment World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products: wheat, barley, vegetables, forage crops; sheep, goats, cattle, camels, horses</p> <p>Industries: construction and construction materials; mining (coal, copper, molybdenum, fluorspar, tin, tungsten, and gold); oil; food and beverages; processing of animal products, cashmere and natural fiber manufacturing</p> <p>Exports - commodities: copper, apparel, livestock, animal products, cashmere, wool, hides, fluorspar, other nonferrous metals, coal, crude oil</p> <p>Exports - partners: China 88.9%, Canada 4.1% (2012)</p> <p>Imports - commodities: machinery and equipment, fuel, cars, food products, industrial consumer goods, chemicals, building materials, cigarettes and tobacco, appliances, soap and detergent</p> <p>Imports - partners: China 37.6%, Russia 25.7%, US 9.4%, South Korea 6.1%, Japan 4.9% (2012)</p>	

Investment Restrictions:

Although the Government of Mongolia (GOM) has consistently said that it supports foreign direct investment (FDI) in all sectors, investors assert that Mongolia's support for FDI seems more an aspiration than a reality.

New legislation specifically limits the amount of FDI in the resource extraction, media, and financial sectors

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Section 1 - Background

The Mongols gained fame in the 13th century when under Chinggis KHAAN they established a huge Eurasian empire through conquest. After his death the empire was divided into several powerful Mongol states, but these broke apart in the 14th century. The Mongols eventually retired to their original steppe homelands and in the late 17th century came under Chinese rule. Mongolia won its independence in 1921 with Soviet backing and a communist regime was installed in 1924. The modern country of Mongolia, however, represents only part of the Mongols' historical homeland; more ethnic Mongolians live in the Inner Mongolia Autonomous Region in the People's Republic of China than in Mongolia. Following a peaceful democratic revolution, the ex-communist Mongolian People's Revolutionary Party (MPRP) won elections in 1990 and 1992, but was defeated by the Democratic Union Coalition (DUC) in the 1996 parliamentary election. The MPRP won an overwhelming majority in the 2000 parliamentary election, but the party lost seats in the 2004 election and shared power with democratic coalition parties from 2004-08. The MPRP regained a solid majority in the 2008 parliamentary elections but nevertheless formed a coalition government with the Democratic Party that lasted until January 2012. In 2009, current President ELBEGDORJ of the Democratic Party was elected to office. In 2010, the MPRP voted to retake the name of the Mongolian People's Party (MPP), a name it used in the early 1920s. Shortly thereafter, a new party was formed by former president ENKHBAYAR, which adopted the MPRP name. In the 2012 Parliamentary elections, a coalition of four political parties led by the Democratic Party, gained control of the Parliament.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Mongolia is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 27 June 2014

The FATF welcomes Mongolia's significant progress in improving its AML/CFT regime and notes that Mongolia has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2011. Mongolia is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Mongolia will work with APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Mongolia was undertaken by the Financial Action Task Force (FATF) in 2017. According to that Evaluation, Mongolia was deemed Compliant for 5 and Largely Compliant for 15 of the FATF 40 Recommendations.

Key Findings

Mongolia is exposed to a range of money laundering (ML) threats and vulnerabilities. Higher risk predicate offences are fraud, environmental crimes, tax evasion, and corruption. Moderate-risk threats include drug offences; smuggling; organised crime; crime against banking regulations; theft and burglary; and risk from foreign proceeds. The proceeds generated from these predicate crimes are mostly laundered in Mongolia with some proceeds, particularly from corruption, being laundered offshore.

Mongolia's exposure to terrorism financing (TF) threats seems to be limited. Based on available open source information, Mongolia has no reported or identified instances of Al Qaeda, Taliban or ISIL related activities, and Mongolia has not been identified as a major source or route jurisdiction for foreign terrorist fighter (FTFs). Furthermore, there have been no reports of terrorist attacks or indigenous terrorist groups operating in Mongolia.

Mongolia has achieved a low level of effectiveness for Immediate Outcome 1, 3, 4, 5, 6, 7, 9, 10 and 11. Mongolia has achieved a moderate level of effectiveness for Immediate Outcome 2 and 8.

Mongolia completed its first ML/TF National Risk Assessment (NRA) in 2016 with final signoff and publication occurring during the ME on-site visit. The NRA focuses on ML, with threats, consequences and vulnerabilities not incorporated into a comprehensive assessment of

Mongolia's ML risk. Except for key agencies involved in the NRA process, across government agencies and the private sector understanding of Mongolia's ML risk needs major improvements.

For TF, the NRA includes negligible identification and analysis of Mongolia's TF threats and vulnerabilities. Across government agencies and the private sector understanding of Mongolia's TF risk needs fundamental improvements.

While Mongolia has coordination mechanisms for ML and TF, at the time of the ME on-site visit Mongolia's draft national AML/CFT strategy was not in force or informed by the NRA. In addition, the degree to which these mechanisms coordinate operational matters is limited.

Financial intelligence including the Financial Information Unit's (FIU) operational analysis has been used to initiate ML and predicate crime investigations to a limited extent. The FIU is primarily supporting the operational needs of law enforcement agencies (LEAs) through the provision of information upon request and has not conducted or disseminated strategic analysis.

Mongolia lacks a national AML/CFT policy and LEAs lack internal directives and comprehensive guidance to prioritise the use of the ML offence. LEAs are conducting ML inquiries; however, only 46 ML investigations have resulted from these inquiries with only two ML cases prosecuted. In both ML prosecutions, convictions obtained by lower courts were overturned by the Supreme Court. Generally, LEAs are pursuing predicate crimes.

Mongolia's legal framework for confiscation is in keeping with the FATF Standards. While Mongolia has technically not confiscated assets related to ML due its ML convictions being overturned, the value of confiscations imposed by lower courts were not changed by the Supreme Court in both cases. LEAs are seizing property related to predicate crimes with courts confiscating property including for Mongolia's higher-risk predicate offences.

While Mongolia's TF offence is in keeping with the FATF Standards, the General Intelligence Agency (GIA) has only conducted inquiries into three TF disseminations from the FIU involving five individuals. Based on evidence provided to the assessment team, these are Mongolia's only potential TF cases with no TF investigations or prosecutions in the period under review; however, this is not inconsistent with Mongolia's perceived TF risk.

Obligations to freeze; prohibit from making funds available; and requirement for financial institutions (FI) and designated non-financial businesses and professions (DNFBPs) to report assets frozen or actions taken, under Mongolia's framework for targeted financial sanctions (TFS) pursuant to United Nations Security Council Resolution (UNSCR) 1267 and UNSCR 1373, are not enforceable. Larger Banks are conducting automated screening against the UNSCR Consolidated List. Some FIs in the non-bank sector are conducting manual screening while DNFBPs are conducting no screening. There have been no positive matches nor any accounts or transactions frozen. Mongolia has not designated any individual or legal entity pursuant to UNSCR 1267 or UNSCR 1373 although not having any designations is not inconsistent with Mongolia's perceived TF risk.

Mongolia has no legal framework to implement TFS related to proliferation financing (PF). Cooperation and coordination on PF is absent, and Mongolia seems to have exposure to PF related sanctions evasion.

There are scope deficiencies in the coverage of DNFBPs with Mongolia's AML/CFT legislation only including real estate agents and notaries with obligations only enforceable on notaries. There has been no AML/CFT supervision of DNFBPs.

Bank of Mongolia (BoM), as banking supervisor, has some understanding of ML risk. BoM has implemented risk-based AML/CFT supervision with four on-site inspections, based on risks identified during off-site supervision, conducted by the end of the ME on-site visit; however, inspection reports were not finalised. Before this BoM was conducting rules-based supervision with non-dissuasive sanctions applied for AML/CFT breaches. The recent implementation of risk-based supervision is the primary factor leading to the limited awareness and compliance with AML/CFT obligations by banks.

The Financial Regulatory Commission's (FRC), supervisor of FIs in the non-bank sector, understanding of ML risk is at the developmental stage. The FRC is in the process of implementing a risk-based approach (RBA) to AML/CFT supervision. To date, the FRC's AML/CFT supervisory actions have been rules-based and are limited in number and scope with no sanctions imposed for AML/CFT breaches. The lack of risk-based AML/CFT supervision is the primary factor leading to the negligible awareness and compliance with AML/CFT obligations by FIs in the non-bank sector.

Mongolia has not assessed the risk of ML and TF associated with legal persons. Information on the creation and types of legal persons is publicly available. LEAs have timely and adequate access to this basic information on legal persons via direct access to the General Authority for Intellectual Property and State Registration's (GAIPSR) database. The accuracy of this information may not be complete; however, Mongolia has undertaken recent steps to improve compliance with GAIPSR registration. In addition, LEAs and the FIU can access beneficial ownership (BO) information obtained by reporting entities (REs) via customer due diligence (CDD).

Express trusts or other legal arrangements with similar structures or functions cannot be formed under Mongolian law. Based on discussions during the on-site, it seems foreign trusts are not a significant feature in the Mongolian economy with no evidence to suggest that DNFBPs are involved in the formation or management of foreign trusts in Mongolia. However, Mongolia has not assessed the ML/TF risks associated with legal arrangements.

Mongolia's legal framework for international cooperation is in keeping with the FATF Standards. To some extent Mongolia is seeking and providing mutual legal assistance (MLA), extradition and other forms of international cooperation on a range of predicate crimes and ML. Since 2014, Mongolia has fulfilled 25 MLA requests; however, it is unclear if this assistance was always provided on a timely basis. Since 2014, Mongolia has made 27 requests including four requests related to ML and a number related to Mongolia's higher-risk predicate offences. In addition, LEAs and the FIU are using their memorandum of understandings (MOUs) with foreign counterparts, Egmont and Interpol to exchange information.

Mongolia has not sought or provided MLA or extradition in relation to TF. However, this is not inconsistent with Mongolia's perceived TF risk.

Risks and General Situation

The following summary of the assessment team's understanding of Mongolia's ML/TF risk is based on material provided by Mongolia including its NRA and information gathered from discussions with competent authorities, the private sector as well as open source materials.

Mongolia is exposed to a range of ML threats and vulnerabilities. Higher-risk predicate offences are fraud, environmental crimes, tax evasion, and corruption. Moderate-risk threats include drug offences; smuggling; organised crime; crime against banking regulations; theft and burglary; and risk from foreign proceeds.

The proceeds generated from these predicate crimes are laundered in Mongolia and abroad. Within Mongolia, proceeds are mainly used to purchase real estate, vehicles/machinery, and other consumer items, and also laundered using legal persons including in the construction industry. In relation to corruption, bank accounts of family members are mainly used for the receipt of monies, which are then transferred to foreign bank accounts and offshore accounts/financial institutions. In some cases, these funds have been returned to Mongolia using the banking system.

Key vulnerabilities in Mongolia include the banking sector and DNFBPs. The banking sector holds 95.7% of the total financial sector assets, and apart from a small number of non-bank remitters, the sector is exposed to Mongolia's cross-border risks. AML/CFT risk-based supervision of banks has only recently been implemented with no risk-based on-site inspections finalised at the time of the ME on-site visit. The banking sector is also the gate-keeper for the non-bank sector, which includes a large variety of institutions and financial services under negligible rules-based AML/CFT supervision with negligible implementation of preventative measures.

With the exception of lawyers and to a lesser extent notaries and accountants, the DNFBP sector in Mongolia is still developing – there are scope deficiencies in the coverage of DNFBPs with Mongolia's AML/CFT legislation only including real estate agents and notaries with obligations only enforceable on notaries. The real estate sector is unregulated with a significant number of businesses involved in the sale of real estate with evidence to suggest some businesses offer discounts on property purchased using cash. Furthermore, research suggests Mongolia has significant artisanal small-scale miners and an illegal mining sector, which may sell their raw gold to informal dealers/intermediaries.

Mongolia's exposure to TF threats seems to be limited. Based on available open source information, Mongolia has no reported or identified instances of Al Qaeda, Taliban or ISIL related activities, and Mongolia has not been identified as a major source or route jurisdiction for FTF1. Furthermore, there have been no reports of terrorist attacks or indigenous terrorist groups operating in Mongolia.

Notwithstanding, Mongolia's TF vulnerabilities include limited expertise among relevant agencies, significant gaps in Mongolia's legal framework related to TFS, lack of oversight of the NPO sector, negligible implementation of TFS in the non-bank sector and no implementation in DNFBPs.

Exposure to PF related sanctions evasion

Mongolia seems to have exposure to PF related sanctions evasion. There are approximately 1,500 Democratic Republic of North Korea (DPRK) citizens working in Mongolia in a range of industries, who are paid via formal arrangements between Mongolia and DPRK. There are a

number of known legal entities operating in Mongolia with direct links to the DPRK, and Mongolian companies own/owned shares in DPRK state-owned enterprises. Mongolia has very limited trade with DPRK and Iran

Key Findings from latest Mutual Evaluation Report (2007):

Mongolia has taken significant steps to enhance conditions of transparency, strengthen governance and combat corruption in parallel with steps to combat money laundering (ML) and terrorist financing (FT). In 2006 Mongolia passed a comprehensive Anti-Corruption law which, amongst other things, laid the foundations for the creation of an independent corruption fighting body.

AML/CFT compliance issues have not yet been comprehensively addressed, however the Bank of Mongolia has taken steps to strengthen the culture of compliance with prudential norms amongst Mongolian Banks. Governance and compliance culture is generally weaker in the Non-banking Financial Institutions (NBFIs), but with the creation of the Financial Regulatory Committee (FRC), Mongolia is taking steps to strengthen the culture of compliance of NBFIs and some DNFBPs, however this is at a very early stage in these sectors. Mongolia faces a number of serious ML and FT risks.

No terrorist activity has occurred in Mongolia or has involved Mongolian citizens/residents, nor have Mongolian nationals been identified as members of terrorist organisations. However, Mongolian authorities have investigated a number of cases involving possible FT and have worked closely with international partners to identify possible cases of FT within Mongolia.

Mongolia has a predominantly cash economy resulting in a large informal sector, which makes it highly vulnerable to ML and FT.

Corruption, bribery, tax evasion and smuggling have been identified as crimes generating significant proceeds. There is a possibility that Mongolia may be used as a staging point for drug trafficking. Mongolia has a very large informal mining sector, with estimates that there are up to 100,000 'ninja miners' operating who illegally extract deposits of gold and other minerals without a mining license. Human trafficking, wildlife smuggling and poaching of endangered species have been identified as sources of criminal proceeds. Smuggling of antiquities, including fossils, have been identified as a major risk and a source of proceeds of crime within Mongolia.

Currency smuggling is a significant vulnerability for ML and FT in Mongolia. Authorities have identified Savings and Credit Cooperatives (SCC), banks, hotels, restaurants and bars as being vulnerable to exploitation in order to facilitate ML in Mongolia. Trade-based ML appears to also be a vulnerability for ML in Mongolia. Mongolia has an expanding real estate sector with rapidly increasing prices and a trend of 'off the book' transactions which poses a significant vulnerability for ML through this sector.

Mongolia's large underground banking sector reflects demand for low cost remittance, but also poses a risk for ML. Reasons for the high uptake of informal remittance systems include

the relatively high costs and slow speed of remittance using the formal financial sector; and the large number of foreign workers remitting money to Mongolia.

Mongolia has a clear policy to implement effective AML/CFT measures, but faces challenges of capacity and resources. Mongolia passed the law on Combating Money Laundering and Terrorist Financing (CMLTF) which came into effect on 8 July 2006. This law does not establish any criminal offences, rather it sets out provisions in order to establish a FIU, which will develop certain preventative measures for financial institutions, including CDD, STR reporting, internal controls and powers of supervision for AML/CFT. The CMLTF also provides for national and international cooperation on AML/CFT.

A range of financial institutions and financial markets exist in Mongolia, but there is a limited range of DNFBPs. Mongolian Law prohibits any casino businesses in Mongolia.

US Department of State Money Laundering assessment (INCSR)

Mongolia was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Mongolia is not a regional financial center. There are few reported financial and economic crimes, although numbers have increased in the last five years. Mongolia is vulnerable to low-grade transnational crime due to the current level of tourism, investment, and remittances from abroad; however, the overall rate of these crimes has not increased. The risk of domestic corruption remains significant as Mongolia's rapid economic growth continues.

Mongolia's limited capacity to monitor its extensive borders with Russia and China is a liability in the fight against smuggling and narcotics trafficking, but drug use and trafficking remain limited and unsophisticated. There is a black market for smuggled goods which appears largely tied to tax avoidance. There are no indications international narcotics traffickers exploit the banking system, and no instances of terrorism financing have been reported.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, lending, factoring, and financial leasing institutions; securities market participants, issuers of guaranties and payment instruments; insurance companies; savings and loan cooperatives; trusts; investment funds; real estate companies and public notaries; remittance services and foreign currency exchanges; and pawnshops

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 58: January – June, 2015

Number of CTRs received and time frame: 770,725: January – June, 2015

STR covered entities: Banks, lending, factoring, and financial leasing institutions; securities market participants, investment funds, issuers of guaranties and payment instruments; savings and loan cooperatives; trusts; insurance companies; real estate companies and public notaries; remittance services and foreign currency exchanges; and pawnshops

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015

Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Mongolia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years Mongolia has made progress in improving its AML/CFT regime. However, although authorities have opened financial crime cases, the lack of a single successful prosecution over the past few years illustrates deficiencies in enforcement. While highly professional, the financial intelligence unit (FIU) appears understaffed, and coordination with other law enforcement organizations remains deficient. The FIU has the authority to monitor bank accounts opened at reporting entities and to suspend transactions that are deemed to be related to money laundering or terror finance, with such suspension in place for three working days. The timeframe may be extended by a court order.

Mongolia should continue to work to bring its existing AML regime more in line with international practice and standards. The Government of Mongolia should increase the training for those responsible for investigating and prosecuting money laundering cases.

EU Tax Blacklist

Mongolia was removed from EU Tax Blacklist on 23 January 2018 following "commitments made at a high political level to remedy EU concerns".

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Mongolia does not conform with regard to the following government legislation: -

System for Identifying/Forfeiting Assets - The jurisdiction has enacted laws authorizing the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Ability to freeze assets without delay - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

Disclosure Protection - "Safe Harbour" - By law, the jurisdiction provides a "safe harbor" defense to banks or other financial institutions and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.

Criminalised Tipping Off - By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.

EU White list of Equivalent Jurisdictions

Mongolia is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Mongolia is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report

No report available

US State Dept Trafficking in Persons Report 2016 (introduction):

Mongolia is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Mongolia is a source and, to a lesser extent, a destination country for men, women, and children subjected to forced labor and sex trafficking. Mongolian men, women, and children are subjected to forced labor in Turkey, Kazakhstan, and Israel and to sex trafficking in South Korea, Japan, China, Hong Kong, Malaysia, Germany, Sweden, and the United States. Mongolian girls employed as contortionists—often under contractual agreements signed by their parents—are subjected to forced labor primarily in Mongolia and Turkey and less so in Hong Kong and Singapore. Women are subjected to domestic servitude or forced prostitution after entering into commercially brokered marriages to Chinese men and, with decreased frequency, South Korean men.

Women and girls are subjected to sex trafficking in Mongolia in massage parlors, hotels, bars, and karaoke clubs. Traffickers sometimes use drugs, fraudulent social networking, online job opportunities, or English language programs to lure Mongolian victims into sex trafficking. NGOs report a significant number of Mongolian victims from rural and poor economic areas are subjected to sexual exploitation in Ulaanbaatar and border areas. Reports in past years alleged Japanese tourists engage in child sex tourism in Mongolia, but police authorities state such instances no longer occur. Some Mongolian children are forced to beg, steal, or work in the informal sectors of the economy, such as horse racing, mining, herding, and construction, and are sometimes subjected to sex trafficking—often with familial complicity. North Korean and Chinese workers employed in Mongolia are vulnerable to trafficking as contract laborers in construction, production, agriculture, forestry, fishing, hunting, wholesale and retail trade, automobile maintenance, and mining. Purportedly, North Korean laborers do not have freedom of movement or choice of employment and are allowed to keep only a small portion of their wages while being subjected to harsh working and living conditions. Chinese workers have reported non-payment of wages. Previous reports allege corruption among Mongolian officials impedes the government's anti-trafficking efforts.

The Government of Mongolia does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. During the reporting period, the government prosecuted nine cases and convicted eight traffickers, an increase from the one prosecution and one conviction it achieved in 2014. It funded and facilitated numerous anti-trafficking trainings for various government entities and key stakeholders. Government authorities referred 13 potential trafficking victims to an anti-trafficking NGO for assistance and continued dissemination of anti-trafficking awareness messaging on social media and television networks. The government adopted the last of six required implementing

regulations for the Law on Victim and Witness Protection, although one of six required implementing regulations for the 2012 anti-trafficking law remained outstanding. The government reduced its already limited victim protection efforts in 2015. It did not report funding victim shelters during the year and remained without formal identification or referral procedures for officials' use. Although the government revised its national action plan to combat trafficking, the plan remained unimplemented for the third consecutive year.

US State Dept Terrorism Report 2009

Although there were no known terrorist groups operating in Mongolia and no known bases of support, Mongolian government officials cited more than 6,000 kilometers of porous borders and easy entry for foreign travelers as conditions that terrorists could exploit, and moved to increase awareness of terrorism and to consider new laws. Throughout the year, eight senior personnel attended counterterrorism-related training at the Asian Pacific Centre for Security Studies in Honolulu and at the Marshall Centre in Germany.

The Mongolian police, the Ministry of Justice, and the General Intelligence Agency's counterterrorism branch cooperated with their U.S. counterparts on counterterrorism issues. As a result of resource and technical limitations, however, Mongolian counterterrorism law enforcement capacities remained modest.

Mongolia continued to contribute to international counterterrorism efforts. In support of Operation Enduring Freedom, the 130 member Mongolian Expeditionary Task Force and 23-strong Mongolian Technical Training and Maintenance Team arrived in Afghanistan in November. They will provide fixed site security at Camp Eggers in Kabul and artillery training and maintenance at Camp Phoenix. In addition to supporting Operation Enduring Freedom, Mongolia also supported the NATO-led International Security Assistance Force. On November 28, the Mongolian Armed Forces deployed an additional platoon of approximately 40 soldiers to support the German contingent in northern Afghanistan. This brings the total number of Mongolians deployed to Afghanistan to almost 200.

International Sanctions

None applicable

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	36
World Governance Indicator – Control of Corruption	36

Corruption is a high risk for companies operating in Mongolia, stemming from political corruption and pervasive judicial corruption. Key anti-corruption legislation includes the Criminal Code and the Anti-Corruption Law, which prohibit active and passive bribery and the abuse of functions. The legislation lacks a clear definition for anti-corruption offenses and is inconsistently enforced. Facilitation payments are a grey area, and gifts are not expressly mentioned in the legislation but are likely to be considered bribery. The maximum punishment is up to ten years' imprisonment and fines. Mongolia has ratified the United Nations Convention against Corruption. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Dept

Current Views on Mongolian Corruption

In mid-2005, the USAID Mission to Mongolia, in collaboration with USAID/Washington and The Asia Foundation (TAF), funded a corruption assessment conducted by Casals & Associates, Inc. (C&A) The complete report is available at <http://www.usaid.gov/mn>. Follow-up surveys of the problem show that the results of this assessment remain valid in 2013. The study found that opportunities for corruption have increased at both the “petty” or administrative and “grand” or elite levels. Both types of corruption should concern Mongolians and investors, but grand corruption should be considered a more serious threat because it solidifies linkages between economic and political power that could negatively affect or ultimately derail or delay democracy and development. Several inter-related factors contribute to Mongolia’s corruption problem:

- A blurring of the lines between the public and private sector brought about by systemic conflicts of interest at nearly all levels;
- A lack of transparency and access to information that surrounds many government functions and has yielded criticism that it renders the media ineffective and hinders citizen participation in policy discussions and government oversight;
- An inadequate civil service system that gives rise to a highly politicized public administration and the existence of a “spoils system;”
- Limited political will to actually implement required reforms in accordance with the law, complicated by conflicting and overlapping laws that further inhibit effective policy implementation;
- Weak government control institutions, including the Mongolian Independent Authority Against Corruption (IAAC), the Bank of Mongolia, National Audit Office,

parliamentary standing committees, Prosecutor General, Generalized State Inspection Agency, State Property Committee, and departments within the Ministry of Finance.

The aforementioned systemic shortcomings have allowed for an evolution of corruption in Mongolia that “follows the money,” meaning that graft on the most significant scales generally occurs most often in the industries and sectors where there is the most potential for financial gain.

During the early 1990s, in the early transition toward democracy and market economy, two areas that offered particular opportunities for grand scale corruption at that time were foreign donor assistance and privatization of state-owned enterprises. As Mongolia later embarked on further policy changes to institutionalize capitalistic practices, corruption reared its head in the process of privatizing public land. As the economy develops, corruption has become endemic in the banking and mining sectors. There also are several areas that provide stable and consistent opportunities for corruption, both grand and administrative in nature, such as for procurement opportunities, issuance of permits and licenses, customs, inspections, the justice sector, among high-level elected and appointed officials, and in the conduct of a variety of day-to-day citizen- and business-to-government transactions, notably in education, health care, and city services.

Despite the fact that few of the conditions to prevent corruption from getting worse are in place, the situation has not reached the levels that are evident in many other countries with contexts and histories similar to that of Mongolia. Perhaps more importantly, there are a number of efforts underway to actively combat corruption, including:

- Government commitments to international anti-corruption regimes and protocols, such as the Anti-Corruption Plan of the Asian Development Bank/Organization of Economic Cooperation and Development (ADB/OECD) and the United Nations Convention Against Corruption (UNCAC);
- Development of a National Program for Combating Corruption and formation of a National Council for coordinating the Program and a Parliamentary Anti-Corruption Working Group;
- Implementation of an anti-corruption law that has included the formation of an independent anti-corruption body;
- Short- and medium-term anti-corruption advocacy and “watchdog” programs initiated by civil society organizations, often with international donor support.

There is, in fact, time for Mongolians and the international community to nurture these efforts and take further action before corruption grows too large to rein in. In general, the main need in Mongolia is to develop effective disincentives for corrupt behavior at both the administrative and political levels. In its broadest configuration, this implies a strategy of increasing transparency and effective citizen oversight, as well as intra-governmental checks and balances. Without these major changes, administrative reforms may provide some small improvements, but they are unlikely to solve the problem. Specifically, the aforementioned USAID-sponsored report of 2005 made several strategic recommendations, which remain relevant in 2013, including:

- Diplomatic engagement focused on keeping anti-corruption issues high on the policy agenda, promoting implementation of existing laws related to anti-corruption, and highlighting the need for further measures to promote transparency and improved donor coordination;
- General programmatic recommendations to address conflicts of interest, transparency/access to information, civil service reforms, and the independent anti-corruption body, with a definitive focus on engaging civil society and promoting public participation utilizing UNCAC as a framework; and
- Specific programmatic recommendations to address loci of corruption, such as citizen- and business-to-government transactions, procurement, privatization, customs, land use, mining, banking, the justice sector, and the political and economic elite.

In addition, the reputable international anti-corruption NGO Transparency International (TI) opened a national chapter in Mongolia in 2004 (for more information, see: www.transparency.org). U.S. technical advisors have worked with TI to train Mongolian staff to monitor corruption and to advocate on behalf of anti-corruption legislation and. TI first included Mongolia in its annual "Perceptions of Corruption" survey in September 2004. In that initial survey, Mongolia ranked 85 out of 145 countries and its score of 3 on the Corruption Perception Index was "poor." (TI's CPI Score relates to "perceptions" of the degree of corruption as seen by business people and country analysts and ranges between 10 (highly clean) and 0 (highly corrupt)). 2009 found Mongolia dropping to 124 out of 180 nations, and declining to a poorer score of 2.7; 2010 found Mongolia 116 out of 178, with a score of 2.7; and 2011 saw no improvement, with Mongolia staying in the bottom range with a score of 2.7. However, using a new methodology TI reported that in 2012 Mongolia rose to 94th out of 176 countries from 120th in 2011.

Current Anti-Corruption Law

In 2006, Parliament passed the *Anti-Corruption Law (ACL)*, a significant milestone in Mongolia's efforts against corruption. The legislation had been under consideration since 1999. The ACL created an independent investigative body, the Independent Authority Against Corruption (IAAC). The IAAC has four sections. The Prevention and Education Section works to prevent corruption and educate the public on anti-corruption legal requirements. The Investigation Section receives corruption cases and executes investigations. The third section collects, checks, and analyzes the legally required property and income statements of government officials. The fourth section, the IAAC's Secretariat, handles administrative tasks. The IAAC formally began operations in August 2007. (For a review of the IAAC's activities from its inception through the present see The Asia Foundation Mongolia: <http://asiafoundation.org/publications>)

Recent Conviction of Former Senior Official

On August 2, 2012, former President of Mongolia, N. Enkhbayar (and three other co-defendants) was convicted on five corruption charges brought against him by the IAAC and the Chief Prosecutor of Mongolia. President Enkhbayar is in the final stages of the appeals process, and we expect the full panel of the Supreme Court of Mongolia to rule on his appeal in the first quarter of 2013. However, observers remain ambivalent over the implications of the conviction regardless of how the court finally rules. Some groups have

argued—including Enkhbayar’s defense team—that case was a spurious, politically motivated attack to prevent the President from running in the 2012 parliamentary elections and the coming 2013 presidential election. Others assert that even if the charges have a political dimension to them, that the very act of going after such a senior figure sends a clear message to others that senior politicians can no longer hide behind their current and former offices.

Section 3 - Economy

Foreign direct investment in Mongolia's extractive industries – which are based on extensive deposits of copper, gold, coal, molybdenum, fluorspar, uranium, tin, and tungsten - has transformed Mongolia's landlocked economy from its traditional dependence on herding and agriculture. Exports now account for more than half of GDP. Mongolia depends on China for more than 60% of its external trade - China receives some 90% of Mongolia's exports and supplies Mongolia with more than one-third of its imports. Mongolia also relies on Russia for 90% of its energy supplies, leaving it vulnerable to price increases. Remittances from Mongolians working abroad, particularly in South Korea, are significant.

Soviet assistance, at its height one-third of GDP, disappeared almost overnight in 1990 and 1991 at the time of the dismantlement of the USSR. The following decade saw Mongolia endure both deep recession, because of political inaction, and natural disasters, as well as strong economic growth, because of market reforms and extensive privatization of the formerly state-run economy. The country opened a fledgling stock exchange in 1991. Mongolia joined the WTO in 1997 and seeks to expand its participation in regional economic and trade regimes.

Growth averaged nearly 9% per year in 2004-08 largely because of high copper prices globally and new gold production. By late 2008, Mongolia was hit by the global financial crisis and Mongolia's real economy contracted 1.3% in 2009. In early 2009, the IMF reached a \$236 million Stand-by Arrangement with Mongolia and it emerged from the crisis with a stronger banking sector and better fiscal management. In October 2009, Mongolia passed long-awaited legislation on an investment agreement to develop the Oyu Tolgoi (OT) mine, among the world's largest untapped copper-gold deposits. However, a dispute with foreign investors developing OT called into question the attractiveness of Mongolia as a destination for foreign investment. This caused a severe drop in FDI, and a slowing economy, leading to the dismissal of Prime Minister ALTANKHUYAG in November 2014. The economy had grown more than 10% per year between 2011 and 2013 - largely on the strength of commodity exports and high government spending - before slowing to 7.8% in 2014 and 2.3% in 2015.

The current government has made restoring investor trust and reviving the economy its top priority, but has failed to invigorate the economy in the face of the large drop off in foreign direct investment. Mongolia's economy faces near-term economic risks from the government's loose fiscal and monetary policies, from uncertainties in foreign demand for Mongolian exports, and on Mongolia's ability to access financing. The May 2015 agreement with Rio Tinto to restart the OT mine and the subsequent \$4.4 billion finance package signing in December 2015 have served to increase investor confidence but are unlikely to overcome the downward economic pressures in the short term.

Agriculture - products:

wheat, barley, vegetables, forage crops; sheep, goats, cattle, camels, horses

Industries:

construction and construction materials; mining (coal, copper, molybdenum, fluorspar, tin, tungsten, gold); oil; food and beverages; processing of animal products, cashmere and natural fiber manufacturing

Exports - commodities:

copper, apparel, livestock, animal products, cashmere, wool, hides, fluorspar, other nonferrous metals, coal, crude oil

Exports - partners:

China 84%, Switzerland 9% (2015)

Imports - commodities:

machinery and equipment, fuel, cars, food products, industrial consumer goods, chemicals, building materials, cigarettes and tobacco, appliances, soap and detergent

Imports - partners:

China 39.9%, Russia 28.4%, Japan 6.4%, South Korea 6.2% (2015)

Banking

Mongolia passed the Banking Law in 1991 which provided for the creation of the new central bank, the Mongolbank (Bank of Mongolia) which took over responsibility for monetary policy and exchange rate stability and supervision of commercial banks. At that time new commercial banks were established from the former branch networks of the State Bank.

During the early years of transition to market economy, 33 commercial banks were established in Mongolia (6 were state-owned), however 16 of them were bankrupted and restructured during 1993-2000. The Government of Mongolia with assistance from International Financial Institutions implemented restructuring policies to restore the stability of the financial system. These policies included measures such as improvement in legal frameworks, restructuring of insolvent banks, introduction of corporate governance principles and capacity building of supervisory agencies.

Stock Exchange

The Mongolian Stock Exchange (MSE) was established in 1991. Passage of the Securities and Exchange Law in 1994 and the Corporate Law in 1995 resulted in the establishment of the secondary market.

Summary

Mongolia's tremendous mineral reserves, agricultural endowments, and proximity to the vast Asia market make it an attractive foreign direct investment (FDI) destination in the medium to long term. However, depressed global commodities markets, limited infrastructure, and the Government of Mongolia's (GOM) love-hate-love track record with regard to foreign investors and FDI in recent years make caution advisable in the short term. FDI to Mongolia continues a dramatic decline from USD 4.7 billion in 2011 to USD 232 million in 2015, a drop of 95 percent. On the other hand, Mongolia has never missed a payment on its considerable foreign debt.

Since December 2014, Prime Minister Saikhanbileg has committed his coalition government to restoring Mongolia's battered economy. He has made renewed FDI and economic diversification the center of these efforts. Some developments are encouraging: the May 2015 signing of the *Oyu Tolgoi Underground Mine Development and Financing Plan*; the December 2015 Oyu Tolgoi USD 12 billion project financing agreement; and the March 2016 settlement on appeal of the USD 104 million GOM-Khan Resources Company (Canada) arbitration award.

U.S. and other foreign investors will grade the GOM that emerges from June 2016 parliamentary elections on its commitment to taking pragmatic steps to create and nurture a business-enabling environment. Any inventory of these pragmatic steps should include: (1) rooting out and destroying the virulent corruption that threatens the foundational institutions of the modern Mongolian state; (2) creating in reality the judicial independence the Mongolian constitution establishes in principle; (3) facilitating the emergence of private-sector small and medium size enterprises as the primary engine of the economic diversification; (4) more deeply establishing a fair and transparent system of taxation; (5) putting in place a more inclusive and more effective rule-making methodology for use in implementing business legislation; (6) establishing and maintaining a professional civil service; (7) modernizing traditional Mongolian business sectors such as agriculture and gold-mining; and (8) vastly improving Mongolia's physical infrastructure.

Notwithstanding this backdrop of immediate challenges, we continue to see significant longer term upside to the Mongolian investment climate. Recent legislation creates institutional frameworks for the ministries of industry and agriculture to support large-scale development of the domestic agriculture sector, the second largest contributor to GDP and employer after mining. Agriculture and animal husbandry, along with renewable energy, are sectors in which Mongolia has native advantages and which provide promise for economic diversification. While challenges exist, so too do significant opportunities for U.S. exporters of goods, services and technology.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Foreign Direct Investment (FDI) coming into Mongolia declined by 95 percent from its 2011 peak of USD 4.7 billion to USD 232 million in 2015. Declining global prices for copper and coal – two commodity mainstays of the Mongolian economy – explain some of the investment

nosedive, but GOM executive, legislative, and judicial missteps also discouraged foreign investment. Senior GOM leaders recently have publicly pledged to correct the FDI-related mistakes of past GOMs and the incumbent GOM has achieved a significant measure of remediation by adopting FDI-friendlier legislation, confirming respect for the 2009 investment agreement that established the Oyu Tolgoi copper/gold mega-mine project, decriminalizing some business tax disputes and consequently reducing the use of prosecutorial "exit bans" against foreign business executives, and acknowledging an obligation to honor international commercial arbitration awards.

U.S. investors welcome these positive steps but question whether they portend broader and more permanent progress. They are concerned that the Office of the Prosecutor General retains un-appealable authority to indefinitely bar foreign nationals from leaving Mongolia. More fundamentally, they point to stalled GOM negotiations over construction of a fifth electricity generation plant as leaving in doubt Mongolia's ability to provide business-enabling infrastructure. They also cite depressed global commodity prices as a disincentive to invest in Mongolia's mining sector and other sectors (construction, real estate, IT, etc.) that depend on mining sector activity for profitability.

International financial institutions make Mongolia a more attractive destination for FDI through their extensive activities. The European Bank for Reconstruction and Development (EBRD) has invested nearly USD two billion in Mongolia, mostly in projects designed to facilitate private sector growth in the mining, energy, financial, agri-business, and retail sectors. The Asian Development Bank's USD 700 million project portfolio largely complements EBRD efforts in its focus on the transportation, energy, urban utilities and services, education, and health sectors. The International Finance Corporation and the World Bank have committed several hundred million dollars to projects that support infrastructure development, employment generation, economic diversification as well as the institutional strengthening of the mining sector. Other UN agencies and NGOs also make significant contributions to making Mongolia more accommodating to FDI either as their primary missions or as secondary aspects of their programming.

Other Investment Policy Reviews

The GOM conducted an investment policy review through the United Nations Conference on Trade and Development (UNCTAD) in 2013 and a trade policy review with the World Trade Organization (WTO) in 2014. Although the Organization for Economic Cooperation and Development (OECD) has not conducted a comprehensive investment policy review of Mongolia in the past three years, it has completed economic studies on specific aspects of investment and development in Mongolia.

For UNCTAD Mongolia investment policy review:

<http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=758>.

For WTO Mongolia investment policy review in the context of a Trade Policy Review:

http://www.wto.org/english/tratop_e/tpr_e/tp245_e.htm.

For OECD Mongolia reports: <http://www.oecd.org/countries/mongolia>.

Laws/Regulations on Foreign Direct Investment (FDI)

In October 2013, parliament passed the Investment Law of Mongolia (IL) to replace the short-lived, FDI-discouraging Strategic Entities Foreign Investment Law (SEFIL), which had made private company business decisions in certain sectors (including mining, banking, and insurance) subject to GOM review. IL specifies more reasonable rights and obligations of investors in Mongolia, provides for a more stable tax environment, establishes the powers and responsibilities of the agency that regulates investment, and provides tax and other incentives to investment. Foreign investors receive the same protections as domestic investors under IL and investor residence determines whether an investor is foreign or domestic rather than nationality. Accordingly, most investments by private foreign individuals residing in Mongolia or firms need only be registered with the General Authority for Registration and Statistics (GARS). U.S. investors arguably also qualify for Mongolian national treatment under the terms of the 1994 U.S.-Mongolia Bilateral Investment Treaty (BIT). For information on the Investment Law of Mongolia: www.investmongolia.gov.mn; and for the BIT: <http://www.state.gov/e/eb/ifd/bit/117402.htm>.

IL offers tax incentives in the form of transferrable tax stabilization certificates which give investors in qualifying projects favorable tax treatment for up to 27 years. Affected taxes may include corporate income tax, customs duties, value-added tax, and mineral resource royalties. The criteria for participation in the tax stabilization program are transparent and include the amount of investment, the sector involved, and the geographic area involved. (For information on tax stabilization certification: www.investmongolia.gov.mn).

Business Registration

All enterprises must register with the GARS at www.burtgel.gov.mn. The registrant obtains form UB 03-II and other required documents from the website and can submit completed documents by email. GARS aims at a two-day turnaround for the review and approval process, but investors report that complex cases can take several weeks to three months. Once approved by GARS, a company must register with the Mongolian General Authority for Customs and Taxation (GACT). Upon hiring its first employees, a company must register with the Social Insurance Agency. GARS reports that notarization is not required for its registration process. (For information on registration of companies: www.burtgel.gov.mn and www.investmongolia.mn.)

Under the IL, the Invest Mongolia Agency (IMA), which reports to the Office of the Prime Minister, assists investors with all aspects of establishing businesses in Mongolia. IMA is also authorized to issue tax stabilization certificates. IMA services are available to all foreigners and domestic investors who plan to invest USD 100,000 or more in a registered business. To contact IMA go to www.investmongolia.com. Investors indicate that these formalized, statutory processes have eased and brought some predictability to the registration and certification processes. The World Bank's 2016 *Ranking on the Ease of Doing Business in Mongolia* documents this and other improvements in Mongolia's business environment over the last year (<http://www.doingbusiness.org/data/exploreeconomies/mongolia/>).

The 2009 Law on Small and Medium-Sized Enterprises (LSME) recognizes four categories of SME: manufacturing, wholesale, retail, and services. Companies qualifying as SMEs under LSME have gross annual revenues of less than USD 750,000 with manufacturing and retail sector SMEs having fewer than 200 employees, wholesale sector SMEs having fewer than 150 employees, and service sector SMEs having fewer than 50 employees. Effective in 2016, an

LSME amendment brings micro-enterprises within the law's mandate in the manufacturing sector (fewer than 20 employees and less than USD 125,000 in sales) and service sectors (fewer than ten employees and less than USD 25,000 in sales). All SMEs and micro-enterprises qualify for preferential terms for financial leasing of equipment and soft loans from the Ministry of Industry-administered SME Development Fund and for low interest loans from Mongolian commercial banks. Because the LSME makes no mention of foreign entities, the eligibility of SMEs owned by non-resident foreigners for these benefits is open to question.

Industrial Strategy

The Ministry of Industry (MOI) is responsible for creating and implementing an industrial policy for Mongolia aimed at promoting value-added production in non-agricultural sectors, including but not limited to minerals and metals processing, construction materials production, plastic and chemical production, and hydrocarbon refining. The Ministry of Food and Agriculture is responsible for value-added production in the food production and livestock sectors.

MOI officials describe the ministry's goal as import substitution, to be accomplished by employing state funds, tax preferences for domestic production, and import tariffs for inputs used in producing domestic agricultural products, constructing domestic energy infrastructure, supporting domestic SMEs, and developing domestic technologies. Parliament adopted specific tax and tariff measures in 2015 – including the waiving of both the five percent import tax and the 10 percent value-added tax (VAT) – which foreign and domestic investors alike can apply to IL-qualified investments. However the process for obtaining these tax waivers has not yet been clarified. (For MOFA and MOI policies go to <http://mi.gov.mn/>, and <http://www.mofa.gov.mn/>).

Limits on Foreign Control and Right to Private Ownership and Establishment

Generally, foreign and domestic entities can establish and own all forms of legal businesses and engage in all forms of remunerative activity on an equal footing. Foreign private entities or individuals may not own or sell land but can own and sell all other forms of real property. The 1994 U.S.-Mongolia Bilateral Investment Treaty (BIT) expressly extends to U.S. investors the benefits of national treatment in Mongolia, excepting the banking and real estate sectors. (BIT: <http://www.state.gov/e/eb/ifa/bit/117402.htm>) (For information on the IL see 1.3.)

Although Mongolia imposes no general legal restrictions on foreign project financing or the formation of joint ventures or other business partnerships, the GOM sometimes imposes specific restrictions on an ad hoc, project-by-project basis. Legal experts and U.S. investors allege that the system by which the GOM decides upon and implements such restrictions lacks clear statutory basis and transparent, predictable regulatory procedures. Mandatory GOM equity interests or other explicitly restrictive covenants may be imposed on projects the GOM determines to be of national strategic interest. For example, the 2014 Amended Mining Law of Mongolia requires private entities to allow the GOM to assume equity positions of up to 50 percent in (non-uranium) mining projects at its discretion. Under the Nuclear Energy Law, the GOM is to hold all uranium mining licenses and to control any uranium processing facilities, although private entities may own up to 49 percent of these state-owned enterprises (SOEs).

U.S. and other foreign investors recall that "foreigner bashing" became part and parcel of the 2012 parliamentary election campaign season in Mongolia and led directly to the adoption of the FDI-d discouraging SEFIL (See Chapter 1.3.) Although there has been no indication of a SEFIL-like draft coming before parliament in the 2016 campaign season, Speaker Z Enkhbold raised several foreign eyebrows during an April 5 speech inaugurating the spring legislative session when he defended parliamentary obstruction last session of the Tavan Tolgoi coal mega-mine project by alleging that the project might otherwise have been taken over by "foreign companies."

Although the GOM actively seeks to establish an effective public-private partnership (PPP) framework and describes on various websites more than 50 PPPs as theoretically open for FDI, these PPPs are still in the planning stages. The GOM and USG are negotiating a second Millennium Challenge Corporation compact that may include one or more PPPs.

Privatization Program

In late 2015, parliament authorized the dissolution of the State Property Committee (SPC), which had held and operated numerous SOEs in mining, and also the Mongolian Stock Exchange (MSE), the national air carrier MIAT, and the Mongol Post Office. These assets have begun to be auctioned-off. Most notably, 30 percent of the post office was offered to private buyers through an initial public offering on the MSE. However, while stating that it welcomes foreign participation in privatization efforts, the GOM has yet to clarify a tendering process for the privatization of state assets that are not to be sold via the MSE. Most SPC assets have been placed under the stewardship or actual ownership of relevant GOM entities. For example, the Ministry of Finance now owns and operates the MSE, and Erdenes Mongol, the state-owned mining asset holding company, now possesses most of the SPC mining assets, particularly those in the coal sector. Further confusing matters, the GOM has been creating new state-owned SMEs in spite of its commitment to privatizing larger SOEs.

Screening of FDI

Mongolia has no formal system for screening investments as such, although U.S. investors and legal commentators report that processes are sometimes cobbled together by GOM officials of variable authority levels and that these ad hoc processes may include obstructions, ranging widely from the slow-rolling of registrations to unreasonable tax levies and even criminal prosecutions. Mongolia's National Security Council (comprising the president, prime minister and speaker of parliament) has assumed authority to review particular investments at its discretion on national security grounds. Although some U.S. investors and business entities contend that the NSC lacks constitutional or other legal grounds for assuming this authority, no effective appeal was available to them in 2010 when the NSC declared a moratorium on the issuance of mining licenses. That moratorium remained in effect until revoked in 2014 by parliament, the highest organ of state authority per the Mongolian Constitution.

Competition Law

Mongolia's Agency for Fair Competition and Consumer Protection (AFCCP) reviews domestic transactions for competition-related concerns. For a description of the AFCCP and its legal and regulatory powers see

http://unctad.org/en/PublicationsLibrary/ditccclp2012d2_Mongolia_en.pdf. or
<http://www.afccp.gov.mn/>.

2. Conversion and Transfer Policies

Foreign Exchange

The Mongolian government employs a liberal regime for controlling foreign exchange for investment remittances. Foreign and domestic businesses report no problems converting or transferring investment funds, profits and revenues, loan repayments, or lease payments into whatever currency they wish aside from occasional, market-driven shortages of foreign reserves. Mongolia's national currency, the tugrik (MNT), is fully convertible into a wide array of international currencies with its relative value fluctuating freely (mostly falling in recent years against the USD) in response to economic trends. Mongolia's central bank, the Bank of Mongolia (BOM), regularly intervenes in currency markets to limit MNT volatility.

The 2009 Currency Law of Mongolia requires all domestic transactions be conducted in MNT except as expressly excepted by the BOM. BOM regulation prohibits the listing in Mongolia of wholesale or retail prices in any fashion (including as an internal accounting practice) that effectively denominates or otherwise indexes those prices to currencies other than the MNT. Given the nearly 50 percent devaluation of the MNT over the past few years, this BOM edict has adversely impacted businesses that pay for imported goods in USD or other hard currency and sell them in MNT. Businesses caught adjusting MNT prices in exact or nearly exact proportion to currency fluctuations can face stiff penalties up to the full market value of the involved goods.

Remittance Policies

Businesses report no delays in remitting investment returns or receiving in-bound funds. Most transfers are completed within a few days to a week. However, in response to occasional currency shortages, most often of U.S. dollars, commercial banks can temporarily limit the amounts they exchange daily, transmit abroad, or allow to be withdrawn. Remittances sent abroad are subject to a ten percent withholding tax to cover any potential profit, income, or value-added tax liabilities.

Ease of transfer aside, BOM regulation compels lenders to issue written warnings to borrowers seeking dollar-denominated loans to the effect that the steady depreciation of the MNT in recent years has translated to very significant increases in the real costs of servicing dollar loans. Hedging forward mechanisms available elsewhere to mitigate exchange rate risk for many national currencies are generally unavailable in small-market Mongolia. Letters of credit remain difficult to obtain, and the GOM sometimes resorts to paying for goods and services with promissory notes that cannot be directly exchanged into other currencies.

After a 2014 Financial Action Task Force (FATF) warning that Mongolia was at risk of blacklisting or gray listing, parliament and the Financial Intelligence Unit of BOM's Financial Information Service drafted and adopted anti-money laundering and anti-terrorist activity financing (AML/CTF) legislation. However, the GOM has yet to mount a major prosecution under authority of this legislation.

3. Expropriation and Compensation

Mongolia generally respects property rights, although there have been significant departures from this norm. Investors have expressed concern over GOM direct and indirect expropriations of some property rights. Most such GOM actions have been associated with extractive industries and have involved the cancelation, suspension, or modification of legally-issued mining licenses. The Mongolian constitution recognizes private real property rights and derivative rights, and Mongolian law specifically bars the GOM from expropriating such assets without payment of adequate market-based compensation. Many of the cases alleging GOM failure to fulfill these commitments have involved foreign nationals. Investors have complained about court expropriations after criminal trials in which the investors were compelled to appear as "civil defendants" but were not allowed to fully participate. In one 2013 criminal case, a GOM official was convicted of corruption and sentenced to prison, and the trial court in that case caused 106 mining licenses the convicted official had issued or facilitated to be revoked. Several of these licenses were revoked notwithstanding an absence of evidence their issuance was derived from corruption.

The Mongolian government may exercise eminent domain in the national interest. Mongolian state entities at all levels are authorized to confiscate or modify land use rights for purposes of economic development, national security, historical preservation, or environmental protection. Investors express little disagreement with such takings in principle, but worry that a lack of clear lines of authority among the central, provincial, and municipal levels of government creates redundant occasions for loss of property rights. For example, the 2006 Minerals Law (amended in 2014) provides no clear division of local, regional, and national jurisdictions for issuances of land-use permits and special use rights. Faced with unclear lines of authority and frequent differences in practices and interpretation of rules and regulations by different levels of government, investors can find themselves unable to fully exercise duly conferred property rights. The GOM has acknowledged this, but has taken no effective steps to remedy it.

The U.S.-Mongolia Bilateral Investment Treaty (BIT) entered into force in 1997 (BIT: <http://www.state.gov/e/eb/afd/bit/117402.htm>). Under this BIT, Mongolia and the U.S. have agreed to respect international legal standards for state-facilitated property expropriation and compensation matters involving nationals of either country. The BIT effectively provides an extra measure of protection against financial loss for U.S. nationals doing business in Mongolia. In at least one expropriation case, however, the GOM restored a mining license it had unilaterally modified years previously but declined to pay compensation for undisputed financial loss as required by the BIT and independently required by the domestic law specifically cited in rendering the modification. Under the BIT, such uncompensated expropriation is appealable in arbitration proceedings. However, the cost of arbitration can make it impractical for aggrieved parties, especially after the financial effects of expropriation without compensation.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Mongolia has adopted a hybrid Civil Law-Common Law system of jurisprudence. Trial judges may take notice of prior rulings in cases similar to those that come before them but are not obliged to respect legal precedent as such. Mongolian laws, and even their implementing regulations, very commonly lack the specificity needed for consistent interpretation and

application. Experienced and dedicated judges make do and deliver at least rough justice in routine matters. However, this statutory and regulatory vagueness invites corruption within the underfinanced and understaffed judicial system, especially in cases where much money is at stake, or where large foreign corporations are in court against domestic government agencies or well-connected private Mongolian citizens.

The General Executive Agency for Court Decisions (GEACD) appears to give low priority to the implementation of court judgments related to commerce, particularly creditor claims. Foreign judgments are in principle enforceable in Mongolia, though the weak enforcement system can be especially problematic for foreign litigants.

Mongolia has in place several specialized administrative courts authorized to adjudicate cases brought by citizens against official administrative acts of GOM agencies. Decisions of these specialized courts are appealable to higher trial courts.

The Mongolian constitution specifies that non-judicial elements of the GOM "shall not interfere with the discharge of judicial duties" by the judicial branch. The Judicial General Council (JGC) is charged with the constitutional duty of ensuring the impartiality of judges and independence of the judiciary and is comprised of many respected jurists. However, the council lacks express authority to investigate allegations of judicial misconduct or to impose disciplinary measures on judges or other judicial sector personnel. (Mongolian law recently required judges to maintain membership in the Mongolian Bar Association (MBA), but judges actively oppose that requirement with the result that the MBA is no better positioned than the JGC to police the judiciary.)

In early 2016, the legislative branch interfered directly with the judicial branch when Mongolia's Constitutional Court ruled that four provisions of a subsidized residential mortgage program were unconstitutional. The program was suspended. Parliament Speaker Z Enkhbold issued a statement that "the Parliament will annul the decision of the Constitutional Court and restore the original law with the same provisions as before." Parliament thereupon voted in special session to dismiss the presiding justice of the Constitutional Court, paving the way for the re-adoption of the original legislation and the re-establishment of the mortgage subsidy program. Legal experts believe parliament had no authority to dismiss the presiding justice. Even MPs who supported his ouster did so to keep the very popular program in place and readily admit that the speaker had affectively engineered an assault on the court's independence.

Legal experts believe that Mongolian substantive law invites judicial corruption by allowing inconsistent and subjective interpretations, and weak distinctions between the branches of the GOM invite unconstitutional over-reaching. The thinly staffed GEACD is charged with all aspects of implementing the decisions and verdicts of Mongolia's civil and criminal courts. So GEACD is responsible for operating prisons, garnishing wages, impounding moveable property, and much more. But GEACD personnel do not report to the JGC or directly to the courts but to the Ministry of Justice (an element of the executive branch). The GEACD works closely on a functional level with the Office of the Prosecutor General, an independent agency run by presidential appointees. However, its funding is provided by parliament. The strong influence of Mongolian prosecutors on Mongolian courts is well documented. (Mongolian courts, for example, rarely dismiss charges over the objection of the prosecution or otherwise enter defense verdicts even after trial.) As a result of this defuse chain-of-

command, the GEACD can function as a conduit of potentially overreaching communications to the judiciary from most any interested corner of the GOM.

Bankruptcy

Mongolian law mandates the registration of mortgages and other debt instruments backed by real estate, immovable collateral (mining and exploration licenses and other use rights), and, by the last quarter of calendar year 2016, movable property (cars, equipment, livestock, receivables, and other items of value). However, even though the law allows for securitizing movable and unmovable assets, local law firms hold that the bankruptcy process itself remains too vague, onerous, and time consuming to make it a practical step towards the winding up of business affairs. Mongolia's constitution and current statute only allow contested foreclosure and bankruptcy through judicial rather than administrative proceedings. Local business and legal advisors report that proceedings usually require no less than 18 months, with 36 months not uncommon. Investors and legal advisors state that an endless appeals process and perceived corruption and government interference can create years of delay. Moreover, while in court, creditors face suspended interest payments and limited access to the asset. Although Mongolia does not criminalize bankruptcy, the World Bank reports that Mongolia has not improved how it resolves insolvency (<http://www.doingbusiness.org/data/exploreeconomies/mongolia/>).

Investment Disputes

There are no hard figures for the number of investment disputes involving foreigners in Mongolia. Fearing to jeopardize future opportunities in Mongolia, some U.S. and other foreign investors only quietly pursue or even abandon particular projects, especially those involving a GOM interest. Investors report that various GOM entities have solicited bribes in order to preempt or resolve particular investment disputes with foreign interests.

In cases in which the government is involved in a dispute, investors report government interference in the dispute resolution process, both administrative and judicial. Foreign investors describe three general categories of disputes that invite such interference. The first category comprises disputes between private parties before a GOM administrative tribunal. In these cases, a Mongolian private party may exploit contacts in government, the judiciary, law enforcement, or prosecutor's office to coerce a foreign private party to accede to some demand. The second category involves disputes between investors and the GOM directly. In these cases, the GOM may claim a sovereign right to intervene in the business venture, often because the GOM itself is operating a competing SOE or because particular officials have undisclosed business interests. The third category involves a Mongolian tax official or prosecutor levying highly inflated tax assessments against a foreign entity and demanding immediate payment, sometimes in concert with imposition of exit bans on particular company executives or even the filing of criminal charges.

International Arbitration

Although investors voice concern that the GOM may choose to ignore international arbitration decisions, the GOM has consistently declared it will honor resulting arbitral awards. In March 2016, the GOM and Canadian uranium mining company Khan Resources tentatively settled on appeal their high profile license-expropriation dispute after an

arbitration panel awarded USD 104 million to the Canadians. Money has not yet changed hands (as of May 2016) in litigation that has lasted to date more than four and one-half years.

Mongolian businesses partnered with foreign investors often will accept international arbitration, as do GOM agencies that contract business with foreign investors, rather than avail themselves of the Mongolian Arbitration Bureau operated by the Mongolian National Chamber of Commerce and Industry. Foreign investors tell us that they prefer international arbitration, because they perceive domestic arbitrators as too politicized, too unfamiliar with commercial practices, and too self-interested to render fair decisions.

The U.S.-Mongolia Bilateral Investment Treaty (BIT) entitles both U.S. and Mongolian investors to seek international arbitration in the case of investor-state disputes (BIT: <http://www.state.gov/e/eb/afd/bit/117402.htm>).

ICSID Convention and New York Convention

Mongolia ratified the Washington Convention and has joined the International Centre for Settlement of Investment Disputes (ICSID). It also signed and ratified the New York Convention. To our knowledge, the government of Mongolia has accepted international arbitration in several disputes. However, Mongolia, because it treats treaties and international agreements as self-executing under Mongolian law, has passed no specific domestic legislation providing for enforcement under the 1958 New York Convention and for the enforcement of awards under the ICSID Convention.

Duration of Dispute Resolution

It is hard to say how long it “typically” takes to resolve an investment dispute in Mongolia. Some cases have been settled within a week through quiet discussion among the parties, while others, particularly in the mining sector, have yet to be settled after six years. For disputes arising through loan default or bankruptcy, waits of up to 36 months for final liquidations and settlement of security are not uncommon.

Although arbitration is widely accepted among business people and elements of the government, support for binding international arbitration has not penetrated local Mongolian agencies responsible for executing judgments. Investors routinely report that the most common problem preventing resolution of debt-driven disputes is that the GEACD often resists executing collection orders and court-ordered foreclosures.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

There have been no documented reports or claims that Mongolia employs measures inconsistent with World Trade Organization Trade Related Investment Measures (TRIMS) requirements; nor has the GOM notified the WTO of any measures inconsistent with the requirements of Mongolia’s TRIMS obligations.

Investment Incentives

The GOM generally offers the same tax preferences to both foreign and domestic investors. The GOM occasionally grants tax exemptions for imports of essential fuel and food products; or for imports in certain sectors targeted for growth, such as the agriculture or energy sectors. Such exemptions can apply to both import duties and Mongolia's value-added tax (VAT). In addition, the GOM occasionally extends a ten percent tax credit on a case-by-case basis to investments in such key sectors as mining, agriculture, and infrastructure. Under the IL, foreign-invested companies properly registered and paying taxes in Mongolia are considered domestic Mongolian entities, thus qualifying for investment incentive packages that, among other incentives, include tax stabilization for a period of years. (For details on the IL see Chapter 1.) In 2014 parliament authorized the BOM to waive 7.5 percent of the ten percent royalty payments that gold miners must pay when selling gold to the BOM and Mongolian commercial banks through 2017. Qualifying transactions must be conducted in MNT.

Research and Development

The Government of Mongolia has limited budgets for research activities, and is quite open to foreign participation, especially in the mining, construction, and agricultural sectors. The 2015 Manufacturing Law of Mongolia allows for up to 75 percent reimbursement of research costs for technologies that lead to domestic manufacturing and import substitution.

Performance Requirements

Foreign investors currently need not use local goods, services, or equity; or engage in substitution of imports. The government applies the same geographical restrictions to both foreign and domestic investors. Existing restrictions involve border security, environmental concerns, or local use rights. There are no onerous or discriminatory visas, residence, or work permits requirements imposed on U.S. investors. Neither foreign nor domestic businesses need purchase from local sources or export a certain percentage of output; or require foreign exchange to cover their exports.

The GOM strongly encourages but does not compel domestic sourcing and material inputs in Mongolia, especially for firms engaged in natural resource extraction. The 2014 Amendments to the 2006 Minerals Law of Mongolia state that holders of exploration and mining licenses should preferentially supply extracted minerals to Mongolian processing facilities and should procure goods and services and hire subcontractors from business entities registered in Mongolia. Although there are no formal enforcement procedures to ensure local sourcing – because there is no absolute legal requirement to source locally – investors occasionally report that central, provincial, or municipal governments slow down permitting and licensing until domestic and foreign enterprises make some effort to source locally. With regard to labor, the GOM's encouraging of the hiring of Mongolian employees becomes essentially a legal requirement when combined with GOM requirements that individual employers seeking work visas for foreign employees MUST demonstrate that their workforces comprise the same percentages of domestic hires that are suggested in Mongolia's procurement law. (A long-pending draft labor law, if adopted, would clarify the extent to which these target percentages are mandatory.)

Pressure to source locally notwithstanding, foreign investors generally set their own export and production targets without concern for government imposed targets or requirements.

There is no requirement to transfer technology. The government generally imposes no offset requirements for major procurements. Certain tenders and projects on strategic mineral deposits may require specific levels of local employment, procurement, or commitments to fund certain facilities or training opportunities as a condition of the tender or project; but such conditions are not the norm. Investors, not the Mongolian government, make arrangements regarding technology, intellectual property, and similar resources and may generally finance as they see fit. Except for a currently unenforced provision of the amended Minerals Law of Mongolia requiring mining companies to list ten percent of the shares of the Mongolian mining company on the Mongolian Stock Exchange, foreign-invested businesses currently need sell no shares to Mongolian nationals. Equity stakes are generally at the complete discretion of investors, Mongolian or foreign.

The GOM sometimes restricts the sort of financing that foreign investors may obtain and with whom investors might partner or to whom they might sell shares or equity stakes. These restrictive covenants will most likely be imposed in certain sectors where the investment is determined to have national impact or national security concerns, i.e., the mining sector. Investors and local legal experts note that the system by which the GOM regulates these transactions lacks a clear statutory basis and transparent, predictable regulatory procedures.

Investors can locate and hire workers without using hiring agencies as long as hiring practices follow Mongolian Law on Labor law. Mongolian law requires companies to employ Mongolian workers in certain labor categories whenever a Mongolian can perform the task as well as a foreigner. This law generally applies to unskilled labor categories and not areas in which a high degree of technical expertise not existing in Mongolia is required.

Data Storage

The GOM has no forced localization policy for data storage; no legal requirements for IT providers to turn over source code or to provide access for surveillance; and no rules or mechanisms for maintaining a certain amount of data storage at facilities within the territory of Mongolia.

6. Protection of Property Rights

Real Property

The Mongolian Constitution provides that "the State shall recognize any forms of public and private properties." The Constitution limits the right to privately own land to citizens of Mongolia, though that limitation does not apply to "subsoil," a term that is not expressly defined in the Constitution. Although no formal law exists vesting Mongolia's pastoral nomadic herders with exclusive rights of pasturage and control of water and land rights as such, rural municipalities administering these resources unofficially recognize that traditional, customary access to these resources by pastoralists must be taken into account before, during, and after other non-resident users, particularly but not exclusively those in the mining sector, exercise their use and ownership rights. That aside, one can sell, transfer, or securitize structures, shares, use-rights, companies, and movable property, subject to relevant legislation and related regulation controlling such activities. Mongolian law does allow creditors to recover debts by seizing and disposing of property offered as collateral.

Mongolian law protects creditors but that protection is unevenly applied, and as noted in Chapter 4, some judges, whether out of ignorance or partiality for Mongolian disputants over foreigners, fail to strictly uphold these protections. The legal system also requires judicial foreclosure for any contested foreclosure action. Because all contested foreclosure actions require court review and are subject to appeals up to the Supreme Court of Mongolia, final resolution can take up to 36 months. In addition, creditors report inconsistent enforcement of court orders. Foreign and domestic investors routinely claim that the GEACD regularly fails to execute its responsibilities. In addition, nascent systems for determining title and liens and for collecting on debts make lending on local collateral risky. Although a system exists to register immovable property – structures and real estate – for the purpose of confirming ownership, it does not record existing liens. Consequently, creditors risk lending on collateral that debtors may not actually own or which may have already been offered as security for other debts.

Intellectual Property Rights

Mongolia supports intellectual property rights (IPR) in general. A member of the World Intellectual Property Organization (WIPO), Mongolia has signed and ratified most relevant treaties and conventions, including the World Trade Organization Agreement on Trade Related Aspects of Intellectual Property Rights (WTO TRIPS). Mongolia's parliament has yet to ratify the WIPO internet treaties. (WIPO: <http://www.wipo.int/directory/en/>). Despite this, the Mongolian government and its intellectual property rights enforcer, the Intellectual Property Office of Mongolia (IPOM: <http://www.ipom.mn/>), make a good faith effort to comply with these agreements.

Under TRIPS and Mongolian law, the Mongolian Customs Authority (MCA) and the Economic Crimes Unit of the National Police (ECU) also have an obligation to protect IPR. MCA can seize shipments at the border. The ECU has the exclusive power to conduct criminal investigations and bring criminal charges against IPR pirates. The IPOM has the administrative authority to investigate and seize pirated goods administratively. Of these agencies, the IPOM makes the most consistent efforts to fulfill Mongolia's treaty commitments. The IPOM generally has an excellent record of protecting U.S. trademarks and copyrights; however, tight resources limit the IPOM's ability to act. In most cases, when a rights holder files a complaint, the IPOM quickly investigates. If it judges that an abuse has occurred, it will (and has in every case so far) seize the pirated products, under administrative powers granted under Mongolian law.

We note two areas where enforcement lags. Legitimate software products remain rare in Mongolia, with the IPOM estimating that 95 percent of the market uses pirated software. The IPOM enforces the law where it can but the scale of the problem dwarfs its capacity to deal with it. Pirated optical media are also readily available and subject to spotty anti-piracy enforcement. The growth of online downloads of pirated digital media by individuals, local Mongolian TV stations, radio broadcasters playing pirated music, and cellular service providers offering pirated ringtones has eclipsed local production and imports of fake CDs, videos, and DVDs. The IPOM acknowledges that most local public and privately held TV stations, some 184 at latest count, regularly broadcast pirated materials; however, the IPOM hesitates to move on these broadcasters, most of which are connected to major government or political figures. The IPOM will act on specific complaints, but will rarely initiate

action. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en>.

U.S. IPR rights holders affected by Mongolian piracy may also reach out to the American Chamber of Commerce Mongolia (AmCham Mongolia). AmCham Mongolia has established an Intellectual Property Rights Committee to advocate for policy reforms and improved enforcement from IPOM and other relevant GOM agencies. For more information go to: <http://amcham.mn/>.

There is no information suggesting that the production and/or sale of counterfeit goods in Mongolia presents a higher risk of labor rights violations, including child labor, forced labor, and dangerous working conditions.

Resources for Rights Holders

Contact at the U.S. Embassy in Ulaanbaatar: <http://mongolia.usembassy.gov/>; Economic and Commercial Section; +976-7007-6001; Ulaanbaatar-Econ-Comm@state.gov. For additional resources on protecting IPR in Mongolia, reach out to the American Chamber of Commerce in Mongolia at <http://amcham.mn/>. The U.S. Embassy also provides a list of attorneys at http://mongolia.usembassy.gov/lawyer_list.html.

7. Transparency of the Regulatory System

In 2011 parliament passed the Law on Information Transparency and the Right to Information (LIT). LIT sets out which government, legislative, and non-governmental organizations must provide information to the public – both in terms of what information entities should disseminate and how these respective organizations should respond to requests for information by citizens and legal entities residing in Mongolia. The LIT requires that state policies, some legislative acts, and administrative decisions be posted on the appropriate government websites for no less than 30 days for comment and review prior to enactment. In addition, government entities must post public hiring processes, concessions, procurement, and budget and finance information. The LIT specifically exempts the armed services, border protection, and intelligence organizations from its provisions. Ongoing citizen complaints and petitions are not subject to the LIT's provisions; nor does the law apply to intellectual property information, proprietary business information, or personal information. To implement the LIT, the cabinet requires ministries to post proposed regulatory changes on ministerial websites for comment and review at least 30 days before approval. Neither the LIT nor the cabinet has set a standard process for collecting and acting on public comment and review.

In addition to the LIT, the Law on Making Laws (LML) requires (or requests in the case of parliament) those drafting and submitting laws to parliament – termed lawmakers in the LML – to subject their legislative acts to comment and review. Specifically, the president and the ministries must submit legislation for review and comment. Parliament may solicit comment and review but is not required to do so. The LML does not specify who is to be consulted; how they are to be consulted; when or where; and what is to be done with these critiques of legislation.

Most ministerial initiatives go unpublished until the draft passes out of a given ministry to the full cabinet. Typically, the full cabinet discusses and passes bills on to parliament, without public input or consultation. Parliament itself neither issues a formal calendar nor routinely

announces or opens its standing committees or full chamber hearings to the public. While parliament at the beginning of each session announces a list of bills to be considered during the session, this list is very general and often amended. New legislation is commonly introduced, discussed, and passed without public announcement or consideration, often rather hastily.

Mongolian publically listed companies adhere to the International Financial Reporting Standards (IFRS). As with statutory requirements for transparent law making, regulations for accounting, legal, and regulatory procedures also require transparent processes for consistent implementation, and are sometimes but not always consistent with international norms and best practices. The business community and legal experts have criticized legal, regulatory, and accounting practices that are non-transparent, vague or poorly worded in Mongolian and English translations, and inconsistently enforced. Domestic and foreign investors claim these domestic practices are largely aimed at extracting revenue for both the government and individuals, and occasionally to injure a company that may be competing against a state-owned or influential private entity. Consequently, investors conclude that currently the Mongolian government does not use transparent laws and regulations to create a level playing field for either foreign or domestic competitors.

The GOM consults with NGOs and industry associations on laws and regulations affecting the business environment. For the most part, Mongolia's industry and business organizations are quite open to foreign membership and participation in group activities. However, while foreign investors are often invited by government agencies, NGOs, and industry associations to consult on an ad hoc basis on proposed laws and regulations affecting investments, they are generally strongly encouraged by their organizations to avoid public roles in such consultations. While this approach may avoid some of the controversies attending public comment by foreign investors, it also makes delivery of their advice less transparent and effectively unofficial, allowing the advice to be ignored by Mongolian officials, NGOs and industry associations.

In September 2013, the United States and Mongolia signed an Agreement on Transparency in Matters Related to International Trade and Investment (TA). The agreement marks an important step in developing and broadening the economic relationship between Mongolia and the United States. The goal of the TA is to make it easier for American and Mongolian firms to do business by guaranteeing transparency in the formation of trade-related laws and regulations, the conduct of fair administrative proceedings, and measures to address bribery and corruption. In addition, it provides for commercial laws and regulations to be published in English, making it easier for all international investors to operate in Mongolia. Although parliament ratified the TA in December 2014, the TA has not yet entered into force as Mongolia still needs to bring certain laws into compliance with the terms of the TA. The U.S. Embassy in Ulaanbaatar, USTR, and the GOM continue to work toward finalization and implementation of the Transparency Agreement.

8. Efficient Capital Markets and Portfolio Investment

Mongolia is developing the experience and expertise needed to sustain portfolio investments and active capital markets. In 2013 parliament passed the Revised Securities Market Law (RSML), which most investors believe creates a sufficient regulatory apparatus for these activities. The GOM imposes few restrictions on the flow of capital in any of its markets.

Multilateral institutions, particularly the International Monetary Fund (IMF), have found the regime too loose, especially in the banking sector.

Money and Banking System, Hostile Takeovers

Despite the weakened economy and corresponding rise in non-performing loans from 5.5 percent in February 2015 to 7.8 percent as of February 2016, the International Monetary Fund and the International Finance Corporation consider the Mongolian banking sector relatively healthy, noting the improvements in banks' corporate governance. Moreover, the BOM, Mongolia's central bank, has begun imposing more stringent capital standards on banks. As of January 2016, Mongolia's 14 banks (13 commercial banks and one state-owned bank) had combined assets of about USD 10.3 billion. For more details on the banking sector, go to the Bank of Mongolia at <http://www.mongolbank.mn/eng/default.aspx>.

Mongolia has four generally well-regarded banks owned by both Mongolian and foreign interests. These four banks – Golomt, Khas, Trade and Development Bank, and Khan Bank – collectively hold approximately 80 percent of all banking assets. They generally follow international standards for prudent capital reserve requirements, have conservative lending policies, up-to-date banking technology, seem generally well-managed, and are open to foreigners opening bank accounts under the same terms as Mongolian nationals. In addition, foreign investors, including the International Finance Corporation and Goldman Sachs, have sizable equity stakes in several banks.

In 2015, to consolidate weaker, less capitalized banks into larger, better funded institutions, the BOM ordered all commercial banks to increase their minimum paid-in-capital from the current minimum of USD eight million to USD 25 million by December 2017. While the BOM and Mongolia's financial system have endured insolvencies over time, it is notable that each failed bank had shown clear signs of distress before the BOM moved to safeguard depositors and the banking system. As with many issues in Mongolia, the problem is not lack of laws or procedures for dealing with troubled banks, but rather, some lack of capacity and an apparent reluctance on the part of BOM banking overseers to aggressively enforce regulations related to capital reserve requirements, bank management and corporate governance, and non-performing loans.

9. Competition from State-Owned Enterprises

Mongolia has SOEs in banking and finance, energy production, mining, and transport. Investors have been allowed to conduct activities in these sectors, although in some cases an opaque regulatory framework limits both competition and investor penetration. Indeed, both foreign and domestic private investors believe that the current GOM approach to regulating SOEs favors Mongolian SOEs over private enterprises and foreign SOEs. Although many private companies have been created or registered in Mongolia in recent years, including foreign private companies, so too has the GOM created many dozen SOEs, particularly small and medium-sized SOEs, over the same period.

In 2010, Mongolia passed and implemented the Law of Mongolia on Competition applying to private enterprises and SOEs active in Mongolia. Prior to passage of this law, competition between state-owned and private businesses had been declining for the simple reason that many parastatals had been privatized. Currently, firms from Mongolia, China, Japan, Europe,

Canada, and the United States have sought opportunities for renewable and traditional power generation, a sector still under state control in Mongolia. However, few want to invest in the power generation field until the regulatory and statutory framework for private power generation firms up and tariffs reflect commercial best practices and true cost recovery.

Mongolia has no plans to privatize its existing railroad jointly held with the government of Russia, but current law does allow private firms to build, operate, and transfer new railroads to the state.

The 2006 Minerals Law of Mongolia (amended in 2014) and the 2009 Nuclear Energy Law keep the state in the mining business. Under both laws, the GOM grants itself the right to acquire equity stakes ranging from 34 percent up to 100 percent of certain uranium and rare earth deposits deemed strategic for the nation. Once acquired, these assets are vested with two state-owned holding companies: Erdenes MGL, for non-uranium mining assets, and MonAtom, for uranium resources. Mongolia requires these companies to use proceeds from their activities to “benefit the Mongolian people.”

The role of the state as an equity owner in management of revenues and operation of mines remains unclear. Investors question the GOM’s capacity to deal with conflicts of interest arising from its position as both regulator and owner-operator. Specifically, they worry that the GOM’s desire to maximize local procurement, employment, and revenues may compromise the long-term commercial viability of mining projects. Investors also question the GOM’s capacity to execute its fiduciary responsibilities as both owner and operator of mines. Observers are also concerned that the GOM waives legal and regulatory requirements for state-owned mining companies that it imposes on all others. Generally, approval for relevant environmental and operating permits for private coal mines in Mongolia takes at least two years. However, there are indications that the GOM has exempted Erdenes Tavan Tolgoi (ETT) mining operations from regulatory requirements imposed on other operations. Preferential treatment for SOEs creates the appearance that the GOM has one standard for its SOEs and another for foreign-invested and private domestic invested companies; and also provides SOEs with substantial cost advantages via a more lenient interpretation or outright waiver of legal requirements.

Mongolian SOEs will source from foreign firms only when inputs are not available locally or cannot be produced competitively in Mongolia. SOEs and private enterprises are under political pressure to source locally as much as possible; and often resort to creating local Mongolian shell companies to act as a domestic storefront for foreign-sourced goods. This unofficial requirement adds inefficiency and cost to serving the Mongolian market. Finally, Mongolia is not yet a party to the World Trade Organization Procurement Agreement, although it has expressed a desire to join.

OECD Guidelines on Corporate Governance of SOEs

SOEs are technically required to submit to the same international best practices on disclosure, accounting, and reporting as imposed on private companies. When SOEs seek international investment and financing, they tend to follow these rules. Many international best practices are not institutionalized in Mongolian law, and SOEs tend to follow existing Mongolian rules. At the same time, foreign-invested firms follow the international rules,

causing inconsistencies in corporate governance, management, disclosure, and accounting.

The SOE corporate governance structure is clear on paper. There is an independent management answering to an independent board of directors, who now, with the dissolution of the State Property Committee (SPC), report to a line minister, and ultimately to the prime minister and parliament. In reality, government officials tell us that management and board of director operations and appointments are subject to political interference to an almost crippling extent. Some of the professional managers of these SOEs have expressed hope that 2015 amendments to the Law on the Human Development Fund formally allowing independent, professional management of SOEs will curtail such interference. This will require GOM officials and politicians to avoid interference. In support of this effort to professionalize operations and management at Mongolia's SOEs, the Asian Development Bank is funding a USD 35 million corporate governance strengthening project for Erdenes Mongol, an SOE holding key copper and coal mining assets.

Bottom line: Mongolian SOEs do not adhere to OECD Corporate Governance Guidelines for SOEs: www.oecd.org/daf/ca/oecdguidelinesoncorporategovernanceofstate-ownedenterprises.htm.

Sovereign Wealth Funds

In 2008, parliament established the Human Development Fund (HDF), ostensibly Mongolia's first sovereign wealth fund. However, it does not currently function as a sovereign wealth fund. The stated purpose of the fund was to fulfill campaign promises to provide every citizen with cash payments in excess of USD 1,000 so that the public could benefit from Mongolia's mineral wealth. The HDF is to be funded from the profits, taxes, and royalties generated by the mining industry as a whole, including large, medium and small-scale projects. The HDF basically serves as an instrument to distribute mining revenues to the citizens of Mongolia in the form of social benefits: payments for pension and health insurance premiums; mortgage support and other loan guarantees; and payments for health and education services. The GOM has no plans to use the HDF as a conduit for Mongolian investments abroad or for FDI into Mongolia. In that sense, we find no conflict between the HDF and private sector investment.

10. Responsible Business Conduct

Responsible business conduct (RBC) is still in its infancy in Mongolia. Most reputable international companies make good faith efforts to work with local communities. The larger such firms tend to follow accepted international RBC practices and underwrite a full range of RBC activities across Mongolia; however, the smaller ones, lacking sufficient resources, often limit their RBC actions to the locales in which they work. A few large Mongolian firms regularly undertake RBC actions, with small- to medium-sized enterprises generally (but not always) hindered by limited resources. Generally, firms that pursue RBC are perceived favorably, at least within the communities in which they operate. Nationally, responses range from praise from politicians to cynical condemnation by certain civil society groups of RBC as nothing more than an attempt to buy public approval. Awareness of RBC amongst the public remains low, with only a few NGOs involved in RBC promotion or monitoring, and those concentrated on large projects such as Oyu Tolgoi. Such groups operate freely. (For RBC in

Mongolia refer to USAID sponsored Business Plus Initiative's web site: <http://www.bpi.mn/> . For information on the U.S. government approach to RBC -related issues see U.S. Government Approach on Business and Human Rights: <http://www.humanrights.gov/2013/05/01/u-s-government-approach-on-business-and-human-rights/>).

Mongolia has no statutory requirement for RBC covering all companies active in Mongolia. However, the 2014 Amendments to the 2006 Minerals Law require minerals exploration and mining companies to develop local development plans with the soum (county) in which they operate. Ministry of Mining officials explain that the GOM will eventually codify and standardize how companies should work with soums on local development issues. The Ministry of Mining has presented a model agreement laying out specific, mandatory obligations that companies and municipalities would assume toward one another and the specific projects that companies would be able to undertake in the municipalities in which they operate.

OECD Guidelines for Multinational Enterprises

GOM encourages companies to adopt RBC practices, echoing admonitions of local NGOs and international institutions. However, these exhortations are not based upon OECD principles set forth in the Guidelines for Multinational Enterprises or the United Nations Guiding Principles on Business and Human Rights (OECD: <http://mneguidelines.oecd.org/ncps/>; UN Principles: http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf).

Mongolia has been compliant with the Extractive Industries Transparency Initiative (EITI) since 2010.

11. Political Violence

Mongolia is both peaceful and stable; political violence is rare. Mongolia has held 11 successful presidential and parliamentary elections in the past 20 years, though a brief but violent outbreak of civil unrest followed the disputed parliamentary elections in July 2008. During that unrest, five people were killed and a political party's headquarters was burned. The violence was quickly contained and order restored, and no repeat of that level of civil unrest has occurred since. Indeed, Mongolia held peaceful presidential elections less than a year later in May 2009, in which the incumbent president was defeated and conceded the next day; power smoothly transitioned to the winner. Mongolia will hold its next parliamentary elections on June 29, 2016; presidential elections are next scheduled for June 2017.

A more resource-nationalist tone in politics has become evident in recent years. Media and observer reports suggest a rising anti-foreigner sentiment among a few elements of the public, mostly based on the desire to have Mongolian resources developed in an environmentally sound, culturally sensitive way by Mongolians for the benefit of Mongolians. However, this nationalist sentiment has not led to any known incidents of anti-Americanism or politically motivated damage to American projects or installations since Mongolia established relations with the United States in 1987. However, some commentators over the last three years have described a rising level of hostility to Chinese, Vietnamese, and South and North Korean nationals in Mongolia. This hostility has led to some instances of improper seizure of Chinese and Korean property, and in even more limited cases to acts of physical

violence against the persons and property of Chinese, and to a lesser extent Korean and Vietnamese, nationals resident in Mongolia.

12. Corruption

Multiple reviews of corruption in Mongolia have found that opportunities for corruption have increased at both the “petty” or administrative and “grand” or elite levels. Both types of corruption should concern Mongolians and investors alike, but grand corruption should be considered the more serious threat because it solidifies linkages between economic and political power that could negatively affect or ultimately derail or delay democracy and development. (See The Asia Foundation surveys on corruption in Mongolia:

<http://asiafoundation.org/news/2015/06/the-asia-foundation-releases-findings-of-annual-survey-on-perceptions-and-knowledge-of-corruption-speak>; or the U.S. Embassy’s 2014 Mongolian Human Rights Reports (MHRR) at <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>.

Current Anti-Corruption Law

In 2006 parliament passed the Anti-Corruption Law (ACL), a significant milestone in Mongolia’s efforts against corruption. The U.S. Department of State’s 2015 Mongolia Human Rights Report (MHRR) reports that ACL sets criminal penalties for official corruption but that the GOM does not always implement the law effectively, and corruption has continued at all levels of government. Some officials engage in corrupt practices with apparent impunity. Factors contributing to corruption include conflicts of interest, lack of transparency, lack of access to information, an inadequate civil service system, and weak government control of key institutions. The lack of a conflict of interest law is particularly troubling as virtually every GOM official and member of parliament (and family members) has one or several significant business interests in whose favor they vote.

The law proscribes the soliciting and the acceptance of bribes by government officials and provides for fines and imprisonment of up to five years. The law also criminalizes the offering of bribes to officials. NGOs previously alleged that the threat of prosecution of both individuals offering bribes and officials involved gave neither guilty party motivation to report the episodes after the fact and so resulted in significant underreporting. After the government began granting limited immunity for those paying smaller bribes, the reporting of bribes increased. Members of parliament are immune from prosecution during their tenure, and this immunity can preclude litigation of allegations of corruption. (MHRR: <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#section4>)

The Independent Authority Against Corruption (IAAC) is the principal agency responsible for investigating corruption cases, although the Organized Crime Department of the National Police Agency also investigates corruption cases and often assists in IAAC investigations. The IAAC is responsible for investigating complaints against police, prosecutors, and judges. Although questions about the IAAC’s political impartiality have persisted (the President appoints the Head of the IAAC), the public views the agency as increasingly effective. In response to complaints that it was not making the results of its investigations and subsequent court proceedings public, the IAAC has held periodic press conferences about its activities. In addition, the IAAC increased its public awareness and prevention efforts through activities

such as distributing educational materials for children and conducting outreach trips to the provinces.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Mongolia is a State Party to the United Nations Convention Against Corruption (UNCAC), but not the Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions (the Anti-Bribery Convention). (UNCAC: www.unodc.org/unodc/en/treaties/CAC/signatories.html; Anti-Bribery Convention: www.oecd.org/daf/anti-bribery/countryreportsonteimplementationoftheoecdanti-briberyconvention.htm)

Resources to Report Corruption

Contact at Independent Agency Against Corruption (IAAC)

ADDRESS

District 5, Seoul Street 41
Ulaanbaatar, Mongolia 14250

TELEPHONE NUMBER

Telephone: +976-70110251; 976-11-311919
Fax: +976-7011-2458

EMAIL ADDRESS: contact@iaac.mn

Contact at Transparency International Mongolia

NAME: Tur-Od Lkhagvajav, Chairman of the Mongolian National Chapter

ADDRESS

Zorig Foundation, 2nd floor
Peace Avenue 17,
Sukhbaataar District,
Ulaanbaatar, Mongolia

TELEPHONE NUMBER

Telephone: +976 9919 1007; +976 9511 4777; +976 95599714
Fax: +976 7015 4250

EMAIL ADDRESS: lturod@gmail.com

13. Bilateral Investment Agreements

Mongolia and the United States have no bilateral tax or free-trade agreements, but we have signed and ratified a Bilateral Investment Treaty. For the BIT: <http://www.state.gov/e/eb/ifa/bit/117402.htm>.

Bilateral Taxation Treaties

For a list of Bilateral Taxation Treaties Mongolia has signed with other nations go to UNCTD: <http://investmentpolicyhub.unctad.org/IIA/CountryBits/139#iiaInnerMenu>. In February 2015, Mongolia and Japan signed an Economic Partnership Agreement (EPA) which has been

ratified by the Mongolian Parliament. For more details on the EPA, go to <http://www.mofa.go.jp/policy/economy/fta/mongolia.html>.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

The Mongolian government launched its free trade zone (FTZ) program in 2004. Two FTZ areas are located along the Mongolia spur of the trans-Siberian highway: one in the north at the Russia-Mongolia border town of Altanbulag; the other in the south at the Chinese-Mongolia border at the town of Zamyn-Uud. Both FTZs are relatively inactive, with development pending at either site. A third FTZ is located at the port of entry of Tsagaan Nuur in the far western province of Bayan Olgii bordering Russia. Mongolian officials also suggest that the New Ulaanbaatar International Airport (NUBIA), expected to commence operations in spring 2017, may host an FTZ. As first noted in the April 2004 USAID sponsored Economic Policy Reform and Competitiveness Project, benchmarking Mongolia's FTZ program against current successful international practices shows deficiencies in the legal and regulatory framework as well as in the process being followed to establish FTZs in the country. In addition, FTZs lack implementing regulations to require key international best practices. Further, a process of due diligence, including a cost-benefit analysis, has never been completed for the FTZs. Moreover, sufficient funding has never been mobilized for on-site infrastructure requirements for the FTZ sites. Finally, deviations from international best practices in the process of implementing FTZs repeats mistakes made in other countries and may lead to "hidden costs" or the provision of subsidies that the government of Mongolia did not foresee and which may have been granted at the expense of higher priorities.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 1: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Mongolia Gross Domestic Product (GDP) (USD M USD)	2014	USD 12.02	2014	USD 12.02	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other

U.S. FDI in Mongolia (USD M USD, stock positions)	2012	USD 62.6	2014	USD 31.0	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Mongolia FDI in the United States (USD M USD, stock positions)	NA	NA	NA	NA	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % Mongolia GDP	NA	NA	2014	13%	http://www.tradingeconomics.com/mongolia/foreign-direct-investment

*Mongolia Host Country Data: National Statistical Office, Mongolian Statistical Year Book, 2013: www.nso.mn

Table 2: Sources and Destination of FDI

The Invest Mongolia Agency (IMA) stopped annually tracking FDI in 2012 and has never tracked where the beneficial ownership of a given investment actually terminates, but only where the company claims its domicile. We are aware of numerous cases where foreign entities active in Mongolia do not incorporate in their countries of origin but in third countries, largely for tax purposes. Consequently, although Mongolia's data and the IMF's respectively suggests that much of Mongolia's investment originates from such places as the Netherlands or Singapore, much of that investment actually comes from other jurisdictions.

Direct Investment from/in Counterpart Economy Data						
From Top Five Sources/To Top Five Destinations (U.S. Dollars, Millions)						
Inward Direct Investment			Outward Direct Investment			
Total Inward	16,693	100%	Total Outward	NA	100%	
Netherlands	8,649	52%	NA	NA	NA	
Singapore	1,393	8%	NA	NA	NA	
Hong Kong SAR	1,318	8%	NA	NA	NA	
United Kingdom	1,264	8%	NA	NA	NA	

P.R. China: Mainland	1,027	6%	NA	NA	NA
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey

Table 3: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, U.S. Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	280	100%	All Countries	205	100%	All Countries	75	100%
Hong Kong	97	35%	PR China	80	39%	PR China	37	49%
PR China	40	14%	Australia	33	16%	Singapore	17	23%
Australia	34	12%	United States	30	15%	Hong Kong	17	22%
Singapore	33	12%	Singapore	16	8%	United States	2	3%
United States	32	11%	Canada	15	8%	United Kingdom	1	2%

Source: IMF Coordinated Portfolio Investment Survey

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

civil law system influenced by Soviet and Romano-Germanic legal systems; constitution ambiguous on judicial review of legislative acts

International organization participation:

ADB, ARF, CD, CICA, CP, EBRD, EITI (compliant country), FAO, G-77, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC, MIGA, MINURSO, MONUSCO, NAM, OPCW, OSCE, SCO (observer), UN, UNAMID, UNCTAD, UNESCO, UNIDO, UNISFA, UNMISS, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

For further information - <http://en.mta.mn/>

Treaty and non-treaty withholding tax rates

For further information - <http://en.mta.mn/>

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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