

Potential Safeguard Impacts of Policy Reforms

Policy Action	Social Safeguard Impacts	Environmental Impacts	Mitigation Measures
Output 1: Framework for bank restructuring completed			
1. BOM initiated a road map to a bank rehabilitation program.	No IR or IP impacts.	No environmental impacts.	NA
2. The government established an interagency working group to support creation of the legal and institutional framework of an AMC.	No IR or IP impacts.	No environmental impacts.	NA
3. Government submitted a draft law to Parliament for the establishment of an AMC that ensures: (i) proper governance, transparency, and operational independence and oversight; (ii) use of market-based principles and effective allocation of risks and recovery with banks; (iii) broad special authority to manage NPLs for the timely and enforceable transfer of asset ownership rights and the unfettered rights to dispose of assets; (iv) protection of management and employees performing their duties; (v) profit-maximizing goal and performance-based approach; (vi) commercial orientation and flexibility for private sector participation; (vii) a sunset clause; and (viii) resolving NPLs of commercial banks only.	No IR or IP impacts expected from capitalization of the AMC.	No environmental impacts expected from capitalization of the AMC.	NA
4. With support from BOM, the Mongolian Bankers' Association established a Corporate Debt Restructuring Committee to (i) prepare and			

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approve an out-of-court corporate debt restructuring framework and (ii) adopt an inter-creditor agreement to address corporate restructuring and debt burden.			

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Output 2: Financial stability enhanced			
5. BOM strengthened the Financial Stability Council's mandate, composition, authority, tools and powers by proposing amendments to the law.	No IR or IP impacts.	No environmental impacts.	NA
6. BOM issued revised asset classification regulation that integrates practices from Basel Committee for Banking Supervision capital adequacy accords.	No IR or IP impacts.	No environmental impacts.	NA
7. BOM restructured the banking supervision department to align it with best practices that include combining on-site and offsite functions into one allowing for a continuous supervisory process and providing support for implementing risk-based supervision.	No IR or IP impacts.	No environmental impacts.	NA
8. The MOF entered into an MOU with DICOM to support providing back-up financing needs of DICOM for potential payout of deposit claims.	No IR or IP impacts.	No environmental impacts.	NA

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Output 3: Competition and governance strengthened			
9. The Parliament approved the Economic Recovery Plan, which includes plans to prepare the “Mongolian financial market development – 2025 program” that will outline steps to improve the finance sector’s capacity and governance to better meet the functional needs of individuals, corporations, and the government.	No IR or IP impacts.	No environmental impacts.	NA
10. BOM issued regulation to require banks to prepare IFRS-compliant financial statements effective from 1 January 2016.	No IR or IP impacts.	No environmental impacts.	NA
11. The government introduced a program to privatize State Bank by the end of 2019.	No IR or IP impacts.	No environmental impacts.	NA
12. BOM clarified and solidified national treatment of foreign banking subsidiaries by amending regulations covering (i) licensing of banks and foreign subsidiaries; (ii) the scope of authorized banking activities, and (iii) defining paid-in capital and shareholdings.	No IR or IP impacts.	No environmental impacts.	NA

AMC = asset management company, BOM = Bank of Mongolia, DICOM = Deposit Insurance Corporation of Mongolia, IFRS = International Financial Reporting Standards, MOF = Ministry of Finance, MOU = memorandum of understanding, NA = not applicable, NPL = nonperforming loan.