



Press Release
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AmCham Mongolia hosts Supporting Sound Banking Systems in Mongolia

ULAANBAATAR, Mongolia – The American Chamber of Commerce organized its January Monthly Meeting, Supporting Sound Banking Systems in Mongolia, on January 19, 2022.

The panelists for the event were Governor of the Bank of Mongolia B. Lkhagvasuren and Executive Director of the Mongolian Bankers Association L. Amar, with moderator B. Munkhjin, Senior Manager at EY.

The meeting was held in a hybrid format—in-person and virtual—and was attended by over 90 people, including representatives of the AmCham community, foreign and domestic investors, and SMEs.

Governor Lkhagvasuren stated, “The Bank of Mongolia has set and worked toward the following five objectives within the framework of the banking sector reform program: 1. improve the legal framework to reduce ownership concentration, and enhance prudent corporate governance to nourish a transparent and socially responsible banking sector; 2. continue the work on harmonizing supervisory instruments with international best practices to create a sustainable banking sector; 3. continue cooperative work with international organizations; 4. enhance the efficacy of anti-money laundering/combating the financing of terrorism regulatory framework, and collaborate with the relevant authorities to this end; and 5. diversify and tailor banking licenses and the associated requirements to bank business models and operations to create an accessible and inclusive banking sector.

“Within the framework of this reform program, amendments to the Banking Law were discussed and approved during the plenary session of Parliament on January 28, 2021. Implementation of these amendments will reduce risk for commercial banks, change ownership structure and centralized management, create better oversight through public ownership and access to information, generate market signals, increase the independence of banking supervision, and have a positive impact on stock market development.”

L. Amar noted, “Commercial banks are working to issue their IPOs before the given legal deadline of June 30, 2022, but we have calculated the time required in accordance with the relevant regulations; for example, the timeframe for auditing financial documents and the timeframe for decisions made by shareholders. Taking these into account, the actual date for issuing IPOs is September 30. However, in order to bring the IPO process in line with the official deadline, banks need to work with their two regulators—the Bank of Mongolia and the Financial Regulatory Commission—to reduce the time required for these inspections as much as possible.

“Also, the non-performing loan ratio was about 12 percent last year, but dropped to 10 percent this year. In particular, loans are increasing as the economy recovers. However, the COVID Law has been extended for another six months. After this timeframe, mortgages will have to be repaid and child allowances will be limited. This may affect people's economic status and livelihood.”

B. Munkhjin highlighted, “A company that is considered investment grade by international investment standards should at least have a BBB rating. However, Mongolia has a credit rating of B, so no bank or legal entity in good standing in Mongolia can have a rating higher than this rating. To put it into perspective, the rating of our strategic banks is close to B, which is classed as high risk.”

The discussion closed with a Q&A on the economic outlook for 2022, foreign investment, and other industry issues. The Bank of Mongolia expects the Mongolian economy to grow by 5.5 percent in 2022 and by 5.6 percent in 2023, with non-mining sectors expected to contribute the most in 2022.

About AmCham Mongolia

The American Chamber of Commerce (AmCham) in Mongolia is an independent membership-driven organization that seeks to build, strengthen, and protect business between the United States and Mongolia, and to actively promote Mongolia as a destination for American investment. AmCham Mongolia is accredited by the U.S. Chamber of Commerce as its official affiliate in Mongolia. Based in Washington, D.C., the U.S. Chamber of Commerce is the largest federation in the world with over 3 million members.