LAW OF MONGOLIA

April 19, 2024 State Palace, Ulaanbaatar City

ON NATIONAL SOVEREIGN WEALTH FUND

CHAPTER ONE

GENERAL PROVISIONS

Article 1.Purpose of the law

1.1.The purpose of this Law shall be to regulate the relations in connection with the establishment of the National Sovereign Wealth Fund, determination of its type, purpose and source, ensuring the stability of fund assets, reporting and monitoring its activity in order to fairly and equitably distribute benefits from land subsoil wealth to each citizen of Mongolia in current and future generations.

Article 2.Legislation on national sovereign wealth fund

2.1.The legislation on the National Sovereign Wealth Fund shall consist of the Constitution of Mongolia, the Law on Budget, the Law on Future Heritage Fund, this Law and other legislative acts enacted in compliance with these laws.

Article 3.Scope of application of the Law

3.1.The relations in connection with the national sovereign wealth fund activities shall be regulated by this Law.

3.2.The relations other than those specified by this Law in connection with the future heritage fund shall be regulated by the Law on Future heritage fund.

3.3.The relations other than those specified by this Law in connection with the activities of income centralizing legal entity shall be regulated by the Law on Company.

Article 4.Definitions of terms of the Law

4.1.The following terms used in this Law shall have the following meanings:

4.1.1."National sovereign wealth fund" /hereinafter referred to as "Wealth fund"/ shall mean a system consisting of the diversified funds that centralizing the benefits from land subsoil wealth, making efficient investments, accumulating and distributing such benefits to each citizen of Mongolia in current and future generations fairly and equitably;

4.1.2."Diversified fund" shall mean the Future Heritage Fund, the Accumulation Fund and the Development Fund;

4.1.3."Management of diversified fund operation" shall mean a state central administrative body, which will implement the resolution issued by the State Great Khural and the Government with regard to diversified funds and be in charge of the day-to-day activities of the diversified funds;

4.1.4."Asset management policy of wealth fund" shall mean an investment policy documents that set benchmarks for the minimum benefit and maximum risk of investment instruments issued in conjunction with the macro-economic environment and monetary policy of the fiscal year;

4.1.5."Income centralizing legal entity" shall mean a parent company of the conglomerate of state-owned and partially state-owned legal entities operating in the industry of mining extraction and mineral processing which is in charge of centralizing income into an Accumulation fund.

4.1.6."Accumulation nominal/saving account" shall mean a record of each citizen of Mongolia that sum up the monetary assets allocated annually to each citizen of Mongolia from the sources specified in this Law, the interest to be calculated on the remaining monetary assets, and the expenses spent according to the purpose specified in this Law.

Article 5.Principles to be adhered to the Wealth fund activities

5.1.The following principles shall be adhered to in the Wealth fund activities:

5.1.1.the assets of the Wealth fund shall be vested in the people of Mongolia;

5.1.2.to fairly and equitably distribute benefits from land subsoil wealth to each citizen in current and future generations;

5.1.3.to be based on the long and mid-term development policy of Mongolia;

5.1.4.to abide the internationally recognized common principles, good governance and valuables of the wealth fund in its activities;

5.1.5.to be open and transparent;

5.1.6.to be efficient; and,

5.1.7.to have an independent and impartial external control.

CHAPTER TWO

power of state bodies with regard to THE wealth fund

Article 6.Powers of the State Great Khural

6.1.The State Great Khural shall implement the following power with regard to the Wealth fund:

6.1.1.to approve the given year's budget plan of the Wealth fund;

6.1.2.to approve the budget performance of the Wealth fund;

6.1.3.to oversee spending and performance of Wealth fund assets;

6.1.4.to discuss and approve the list of projects and programs to be financed by Development fund assets stipulated in the long and mid-term development policy document of Mongolia.

6.2.The following items shall be reflected on the budget plan specified in sub-paragraph 6.1.1 of this Law:

6.2.1.income and expense to be collected in diversified fund;

6.2.2.list and budgeted expenses of projects and programs to be financed by Development fund assets.

Article 7.Power of the Government

7.1.The Government shall implement the following power with regard to the Wealth fund:

7.1.1.to approve asset management policy of diversified fund and provide with integrated management;

7.1.2.to submit a draft of the given year's budget plan of Wealth fund to the State Great Khural;

7.1.3.to control budget performance of the Wealth fund and report it to the State Great Khural;

7.1.4.to submit the list of projects and programs to be financed by Development fund assets reflected on long and mid-term development policy documents of Mongolia to the State Great Khural;

7.1.5.to approve the procedures on generating and keeping a record of accumulation nominal account for each Citizen of Mongolia, and making spending from the fund;

7.1.6.to approve the procedures of activities for the Board of Directors and executive management based upon international good governance principles and standards to be observed in governance and activities of the income centralizing legal entity.

Article 8.Powers of the state central administrative body

8.1.The state central administrative body in charge of finance and budget issues shall implement the following power with regard to the fund:

8.1.1.to approve the given year's budget draft of Future Heritage fund, implement the approved budget plan, report its performance and implement fund operation management;

8.1.2.to monitor and report performance of budget of the diversified fund in accordance with the procedure specified by law;

8.1.3.to develop a policy of diversified fund assets management specified in sub-paragraph 7.1.1 of this Law and submit it to the Government;

8.1.4.to approve methodology to centralize the assets in the diversified fund by calculating sources of the Wealth fund.

8.2.The state central administrative body in charge of labor and social protection issues shall implement the following power with regard to the fund:

8.2.1.to approve a given year's budget plan of Accumulation fund, submit it to the state central administrative body in charge of finance and budget issues, implement the approved budget plan, report its performance and implement fund operation management;

8.2.2.to be responsible and organize undertakings to generate and keep a record of the accumulation nominal account for each Citizen of Mongolia;

8.2.3.to develop the procedure specified in sub-paragraph 7.1.5 of this Law and submit it to the Government.

8.3.The state central administrative body in charge of national development policy and planning shall implement the following power with regard to the fund:

8.3.1.to develop a list of projects and programs to be financed by Development fund assets according to sub-paragraph 10.1.3 of this Law and submit it to the Government as well as implement fund operation management;

8.3.2.to approve the given year's budget plan of Development fund, submit it to the state central administrative body in charge of financial and budgetary issues, implement the approved budget plan and report its performance.

CHAPTER THREE

TYpes, PURPOSES, sourceS and stability of THE wealth fund

Article 9.Types of the Wealth fund

9.1.The wealth fund shall consist of the following diversified funds:

9.1.1.Future heritage fund;

9.1.2.Accumulation fund; and,

9.1.3.Development fund.

Article 10.Purposes of the Wealth fund assets

10.1.Diversified fund shall have the following purposes:

10.1.1.the Future Heritage Fund shall accumulate the benefits from land subsoil wealth in order to fairly and equitably distribute them to each citizen of Mongolia in future generations and increase the present value of accumulated assets by means of investing it into financial instruments of the international market;

10.1.2.the Accumulation fund shall provide support for the purpose of population health, education and housing in order to fairly and equitably distribute benefits from land subsoil wealth to each citizen of Mongolia in current generations;

10.1.3.the Development fund shall provide support in the implementation of development projects and programs with social and economic effectiveness reflected on long and mid-term development policy documents of Mongolia in order to fairly and equitably distribute benefits from land subsoil wealth to each citizen of Mongolia in current and future generations.

10.2.The monetary assets of Future Heritage Fund shall be placed in the currency account of Future Heritage Fund at Mongol Bank.

10.3.The monetary assets of the Accumulation fund and Development fund shall be placed in the state fund account at Mongol Bank. Mongol Bank shall increase the residual of Accumulation fund monetary assets by calculating an interest rate not lower than the policy rate or placing them into financial and investment instruments with yields not lower than the policy interest rate upon entering into an agreement with the Government.

10.4.The monetary assets placed in the Accumulation fund account shall be registered at the accumulation nominal account of each citizen of Mongolia.

Article 11.Sources of Wealth fund

11.1.Wealth fund shall consist of the following sources:

11.1.1.the Future Heritage Fund shall consist of the following sources;

11.1.1.a.65% of the remaining portion after allocation to Budget stability and integrated Local development fund from the royalty payment;

11.1.1.b.income from fund investment.

11.1.2.The Accumulation fund shall consist of the sources allocated in the following principles from dividends collected in accordance with paragraph 12.9 of this Law:

11.1.2.a.if the state-owned share in a state-owned and partially state-owned legal entity operating in the industry of mining extraction and mineral processing is up to 34 percent, all dividends allotted to its state ownership;

11.1.2.b.if the state-owned share in a state-owned and partially state-owned legal entity operating in the industry of mining extraction and mineral processing is 34 percent and higher than thereof, dividends allotted to 34 percent of its state-ownership.

11.1.3.In case the structural balance of the consolidated budget is concluded profitably, the source of the Development fund shall consist of 50 percent of the increased budget revenue due to the fact that the price of the major mineral was higher than the balanced price estimated in the given year's budget.

Article 12.Stability of Wealth fund assets

12.1.The budget of the Wealth fund shall be a part of the consolidated budget.

12.2.It shall be prohibited to spend the Wealth fund assets for purposes other than those specified in this Law.

12.3.It shall be prohibited to transfer assets between the diversified funds.

12.4.All a state-owned and partially state-owned legal entities operating in the industry of mining extraction and mineral processing shall operate under the subordination of the income-centralizing legal entity.

12.5.The income centralizing legal entity shall be a 100% state-owned company, and the Government shall own its shares.

12.6.The income-centralizing legal entity shall own the state-owned shares of state-owned and partially state-owned legal entities operating in the industry of mining extraction and mineral processing, as well as operating in auto-road, railroad, and infrastructure invested by itself, and provide them with management and coordination.

12.7.The income-centralizing legal entity shall own the state-owned shares of the license holder legal entity for mineral deposits of strategic importance.

12.8.It shall be prohibited for the legal entity specified in paragraphs 12.4 and 12.6 of this Law to provide support and finance in the implementation of any activity, project and program other than those specified in the charter.

12.9.Dividends allotted to state ownership of the legal entity specified in paragraphs 12.4 and 12.6 of this Law shall be collected into income centralizing legal entity.

12.10.The remaining portion after allocation from dividends collected pursuant to paragraph 12.9 of this Law according to sub-paragraph 11.1.2 of this Law shall be spent for activities to finance projects and programs supporting business development, which were reflected in the strategic plan of the conglomerate and will bring future income and value.

CHAPTER FOUR

Reporting, transparency and monitoring

Article 13.Accounting and reporting of the Wealth fund

13.1.The report of the diversified funds shall be a part of the consolidated budget performance report of Mongolia.

13.2.The management of the diversified fund shall prepare a report for the fund every half and full year and submit it to the state central administrative body in charge of finance and budget issues.

13.3.The followings shall be included in the report of diversified fund:

13.3.1.financial report of the diversified fund;

13.3.2.operational report of the diversified fund; and,

13.3.3.budget performance report of the diversified fund.

Article 14.Transparency of the Wealth fund

14.1.The Government shall report the following information with regard to the Wealth fund operation within the period mentioned below to the public:

14.1.1.within 10 days after the official publication of the resolution issued by the State Great Khural and the Government with regard to the diversified funds;

14.1.2.annual financial and operational report of the diversified fund within 10 days after external audit opinion is concluded;

14.2.The management of diversified fund operations shall constantly inform the public openly about spending, performance, financing type, and measures of fund assets along with respective decisions by integrating them in the month where such decision was made in accordance with the procedures specified in the Law on Glass account via integrated glass account webpage within the period specified by law.

14.3.The state audit shall be conducted, and an opinion shall be issued as specified in the Law on State Auditing on the year-ending report of a diversified fund.

CHAPTER FIVE

MISCELLANEOUS

Article 15.Liabilities for violators of the legislation

15.1.In case the actions by a civil servant violating this Law do not have a criminal nature, they shall be subject to liabilities specified in the Law on public service.

15.2.Any person or legal entity violating this Law shall be subject to liabilities specified in the Criminal code.

THE CHAIRMAN OF THE STATE GREAT KHURAL OF MONGOLIA ZANDANSHATAR.G