



INVESTMENT AND
TRADE AGENCY

LAW ON SAVINGS AND CREDIT COOPERATIVE

Amended version
as of 6 January 2023



LAW ON SAVINGS AND CREDIT COOPERATIVE

27 October, 2011.

Ulaanbaatar city.

CHAPTER ONE. GENERAL PROVISIONS

Article 1. Purpose of this law

- 1.1. The purpose of this law is to determine the legal and regulatory framework of Saving and Credit Cooperatives and to regulate the relevant operations of Saving and Credit Cooperatives.

Article 2. Legislation of Saving and Credit Cooperatives

- 2.1. Legislation of Saving and Credit Cooperatives is comprised of the Constitution of Mongolia, the Civil Code, the Law on Deposit, Loans and Banking Transactions of Banks and other Authorized Entities and other relevant legislative acts.
- 2.2. If an international treaty which Mongolia has joined stipulates otherwise, then the provisions of the international treaty shall prevail.

Article 3. Definitions

- 3.1. In this law, the following terms shall have the following meanings:
 - 3.1.1. '*Saving and Credit Cooperatives*' shall mean a non profit legal entity with democratic governance and supervision, which provides licensed saving and loan services to meet common economic and social and cultural needs of the members;
 - 3.1.2. '*equity of saving and credit cooperatives*' shall mean the difference of assets and liability or sum of share capital of members, reserve fund, other funds, donations and sum of accumulated income;
 - 3.1.3. '*share capital of members of Saving and Credit Cooperatives*' shall mean cash capital invested in accordance with the particular cooperative's charter for joining the Saving and Credit Cooperative as a member;
 - 3.1.4. '*common interest body*' shall mean a body which has a common personal interest with a member, the Board of Directors, the Supervision Committee, the Loan Committee, the executive director and the staff of the Saving and Credit Cooperatives on capital and family relatives.

Article 4. Operational principles of the Saving and Credit Cooperatives

- 4.1. The following principles apply to the operations of Saving and Credit Cooperatives:
 - 4.1.1. voluntary membership;
 - 4.1.2. democratic governance, members supervision, and transparency
 - 4.1.3. inclusive economic participation and fair distribution;
 - 4.1.4. independence;
 - 4.1.5. members and staff training and information sharing;
 - 4.1.6. protection of members' common social interest;

- 4.1.7. no discrimination;
- 4.1.8. financial sustainability;
- 4.1.9. cooperation with other Saving and Credit Cooperatives.

CHAPTER TWO. ESTABLISHMENT OF THE SAVING AND CREDIT COOPERATIVES

Article 5. Establishment of the Saving and Credit Cooperatives

- 5.1. A citizen of Mongolia can establish a Saving and Credit Cooperative.
- 5.2. Decisions shall to be made about the founding meeting if founders meet the following requirements:
 - 5.2.1. the number of founding members reached 20;
 - 5.2.2. the charter of the Saving and Credit Cooperatives is drafted in compliance with relevant laws;
 - 5.2.3. the Saving and Credit Cooperative shall accumulate in cash more than 30% of the agreed total share capital.

Article 6. Founding agreement of the Saving and Credit Cooperative

- 6.1. The following elements shall be included in the founding agreement:
 - 6.1.1. last and first names of the founding members of the Savings and Credit Cooperative, their residential addresses, civil registration numbers, and current job and positions;
/This sub-paragraph was amended by the law as of June 3, 2022/
 - 6.1.2. given name of the Saving and Credit Cooperative;
 - 6.1.3. address and location of the Saving and Credit Cooperative;
 - 6.1.4. rights and obligations of the founding members of the Saving and Credit Cooperative;
 - 6.1.5. amount of the contributions of the founding members to share capital and rights for expenditure;
 - 6.1.6. resolution of disputes between the founding members of the Saving and Credit Cooperative.

Article 7. Operational report for establishment of the Saving and Credit Cooperative

- 7.1. The following documents shall be included in the operational report for establishment of the Saving and Credit Cooperative:
 - 7.1.1. Information about the share capital amount of the founding members and the equity of the Saving and Credit Cooperative;
 - 7.1.2. Rights and obligations of the founding members to be transferred to the Saving and Credit Cooperative and relevant documents.

Article 8. Founding meeting of the Saving and Credit Cooperative

- 8.1. The founding members prescribed in Paragraph 5.2 of this law can organize a meeting about establishment of the Saving and Credit Cooperative.
- 8.2. The founding meeting shall be validated by participation of the all founding members.
- 8.3. The meeting chairman and secretary shall be elected by a majority vote of the attendees of the meeting.
- 8.4. The Chairman of the founding meeting of the Saving and Credit Cooperative shall define the meeting procedures in a trustworthy and transparent manner through discussion and chairing the meeting.
- 8.5. The following issues shall be discussed at the founding meeting and decided by a majority vote:
 - 8.5.1. whether the Saving and Credit Cooperative shall be established or not;
 - 8.5.2. draft charter of the Saving and Credit Cooperative Section 8.5.3. and election of the members for the Board of Directors and the Supervision Committee.
- 8.6. The minutes shall be taken during the founding meeting and shall be verified by the signatures of the meeting chairman, the secretary and the founding members.
- 8.7. The minutes of the meeting shall include the following elements:
 - 8.7.1. date of the meeting;
 - 8.7.2. last and first names of the founding members;

- 8.7.3. attendance of the meeting;
- 8.7.4. the Meeting agenda, discussion issues and comments, percentage of the votes and decisions.
- 8.8. The decision of the establishment of the Saving and Credit Cooperative shall be issued as a resolution.
- 8.9. The founding members shall submit the operational report and mobilized share capital to the Board of Directors within five business days after the founding meeting of the Saving and Credit Cooperative.
- 8.10. The Board of Directors shall receive documents and capital prescribed Paragraph 8.9 of this law and submit documents to the State legal entity registration in compliance of the Law on State Registration of legal entities within the time frame prescribed in the law.

Article 9. Charter of the Saving and Credit Cooperative

- 9.1. The charter of the Saving and Credit Cooperative is a main regulatory document for its operation and it shall comprise the following elements:
 - 9.1.1. name and address of the Saving and Credit Cooperative;
 - 9.1.2. if the Saving and Credit Cooperative is established for a limited period of time, the term shall be included;
 - 9.1.3. types of activities;
 - 9.1.4. conditions and requirements for membership and rights, obligations and liabilities of the active and the inactive members;
 - 9.1.5. engage, suspend, restore, cease and dismiss of the membership for the Saving and credit Cooperative;
 - 9.1.6. minimum amount of the share capital per member, and maximum amount of the share capital contribution per member within limits as prescribed Paragraph 43.2 of this law and transferring the share capital to others;
 - 9.1.7. authorities of the General Meeting of the members, its procedures and voting;
 - 9.1.8. election of the members for the Board of Directors and the Supervision Committee and procedures for ceasing and dismissing;
 - 9.1.9. activities of the Board of Directors, the Supervision Committee and the Loan Committee;
 - 9.1.10. terms, authority and liabilities of the Board of Directors, the Supervision Committee and the Executive Director;
 - 9.1.11. preparation of the annual and the quarterly reports and reporting to the General Meeting of the members and the Supervision Committee;
 - 9.1.12. income distribution of the current year and the system to recover losses;
 - 9.1.13. establishment of the Reserve Fund and its expenditure procedures;
 - 9.1.14. deposit protection and the Stabilization Fund issues;
 - 9.1.15. maximum amount of loan per member and for bodies with common interest and liability for the member who has delinquent loans;
 - 9.1.16. to open and close an account and information on disclosure about the account;
 - 9.1.17. regulation for operations with conflict of interest;
 - 9.1.18. restructuring and winding up the Saving and Credit Cooperative;
 - 9.1.19. amendments and changes to the charter;
 - 9.1.20. reporting and providing information of relevant decisions and current operations to the members and relevant parties;
 - 9.1.21. confidential information.
- 9.2. The charter of the Saving and Credit Cooperative may include issues otherwise prescribed in Paragraph 9.1 of this law in compliance of other legislative acts.

Article 10. Registration of the Saving and Credit Cooperative in the State of legal entity registration

- 10.1. The Saving and Credit Cooperative shall apply for a license for saving and loan activities to the Financial Regulatory Commission (hereafter the '*Commission*') after registration of the Saving and Credit Cooperative in compliance with legislation in the State registration of the legal entities.

Article 11. Name of the Saving and Credit Cooperative

- 11.1. The Saving and Credit Cooperative shall have a given name and the name shall be followed by 'Saving and Credit Cooperative' in detail or the abbreviation as 'SCC'.
- 11.2. The Saving and Credit Cooperative shall not be named after any of its founding members and it is prohibited to use a name and the abbreviation which express a type and structure of other legal entities.
- 11.3. It is prohibited for other legal entities to use the abbreviation with its name as prescribed the Paragraph 11.1 of this law except a cooperative licensed for saving and loan activities.
- 11.4. The given name of the Saving and Credit Cooperative can be changed by authorization of the Commission.

Article 12. Location and address of the Saving and Credit Cooperative

- 12.1. If changes are made to the legal address of the Saving and Credit Cooperative, a written notice shall be submitted to the Commission and the State registration office of legal entities within seven business days after the change is made.

CHAPTER THREE. ACTIVITIES OF THE SAVING AND CREDIT COOPERATIVE

Article 13. Activities of the Saving and Credit Cooperative

- 13.1. The saving and loan activities shall be conducted by the license of the Commission and in compliance with law and the relevant regulations, the procedures and the requirements.
- 13.2. The registration of the Saving and Credit Cooperative as a legal entity is not the legal grounds to conduct saving and loan activities.
- 13.3. A Saving and Credit Cooperative can be established with a fixed term or with no term. If the term is not stated in the charter of the Saving and Credit Cooperative, it shall be considered as a cooperative with no term.
- 13.4. The Saving and Credit Cooperative shall provide saving and loan services based on the license issued by the Commission.
- ~~13.5. The Saving and Credit Cooperative may provide other financial services authorized by the Commission that are not prohibited by laws.~~
/This paragraph was deemed invalid by the law of January 6, 2023/
- 13.6. Savings and credit cooperatives are prohibited from engaging in activities other than those specified in Article 13.4 of this law.
/This paragraph was amended by the law of January 6, 2023/
- 13.7. The Saving and Credit Cooperative shall comply with the prudential ratio of loan and saving operations required by the Commission on a regular basis.
- 13.8. The Saving and Credit Cooperative shall cover the obligations due to its operations firstly with capital other than the members' share capital, and if that capital is not enough, it shall be covered by the share capital of the members.
- 13.9. The establishment of a branch of the Saving and Credit Cooperative shall be regulated by the regulation approved by the Commission.
- 13.10. The Saving and Credit Cooperative shall not bear responsibility for its members' duties to the others.
- 13.11. The Saving and Credit Cooperative shall not bear responsibility of the government for others, and the government shall not bear responsibility of the Saving and Credit Cooperative for others.

Article 14. Documents for obtaining a license

- 14.1. The Board of Directors shall submit the following documents which verify the Saving and Credit Cooperative's compliance with the requirements for providing saving and loan services within 30 days after registration of the Saving and Credit Cooperative as a legal entity.
 - 14.1.1. application in accordance in the form approved by the Commission;
 - 14.1.2. Legal Entity's certificate;
 - 14.1.3. decision of the founding members' meeting about the establishment;

- 14.1.4. founding agreement made among the founders;
- 14.1.5. information about the founders;
- 14.1.6. charter of the Saving and Credit Cooperative;
- 14.1.7. amount of equity of the Saving and Credit Cooperative;
- 14.1.8. business plan;
- 14.1.9. savings procedure;
- 14.1.10. procedures of the loan and the loan committee;
- 14.1.11. beginning balance sheet;
- 14.1.12. information about skills and professions of the members of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and the Accountant;
- 14.1.13. information about operational risk mitigation procedures;
- 14.1.14. other documents to verify compliance with other requirements prescribed in Paragraph 15.3 of this Law.

Article 15. Licensing for Saving and Credit activities

- ~~15.1. The Commission shall make the decision on licensing after revision of the application and other relevant documents prescribed in Article 14 of this Law within 45 business days after receiving complete documents.
/This paragraph was deemed invalid by the law of January 6, 2023/~~
- 15.2. The Commission shall determine the criteria and requirements for the activities prescribed the Paragraph 13.4 of this law, shall issue the license, supervise compliance of the requirements, suspend, restore, and invalidate the license
- 15.3. The Commission shall issue the license for the Saving and Credit Cooperative which complied with the following requirements and criteria:
 - 15.3.1. application and relevant documents are in compliance with the law and the legal acts;
 - 15.3.2. the Board of directors, the Supervision Committee, the Loan Committee and its members, the executive director and the staff complied with the legal requirements;
 - 15.3.3. consistent business plan of the operation, and included potential risk mitigation activities of the operation;
 - 15.3.4. complying with the requirements and criteria prescribed the Paragraph 15.2 determined by the Commission, and requirements for the activities subject to Paragraph 13.4 of this law.
- 15.4. If the Saving and Credit Cooperative did not comply with the requirements prescribed in Paragraph 15.3 of this law, the Commission shall not issue the license and the response shall be given with justifications.
- 15.5. The license shall be issued for an indefinite period and shall be effective from the date of issuance.
/This paragraph was amended by the law of January 6, 2023/
- ~~15.6. If the applicant does not agree with the rejection of the licensing by the Commission, their complaint shall be submitted to the Supervision Committee of the Commission within 15 business days.
/This paragraph was deemed invalid by the law of January 6, 2023/~~
- 15.7. If the Committee refuses to grant a special license, in addition to taking the measures specified in Sections 9 and 10 of Article 5.2 of the Law on Permits, it shall also notify the savings and credit cooperative of the liquidation of the said savings and credit cooperative or changes in the state registration of the legal entity. The information shall be submitted to the competent state registration authority of the legal entity.
/This paragraph was amended by the law of January 6, 2023/
- 15.8. The Saving and Credit Cooperative shall be liquidated by the Court if it has not applied for a license within the time frame prescribed in Paragraph 14.1 without any reasonable reasons after the state legal entity registration, or authorized body of the Saving and Credit Cooperative did not submit a request for change of the legal entity's registration.
- ~~15.9. The Commission shall invalidate the license of the Saving and Credit Cooperative if it does not operate licensed activities for one year after licensing, or the operations break for one year even being operated. The Saving and Credit Cooperative shall be liquidated by the~~

~~court based on the request of the Commission, if the Saving and Credit Cooperative did not re-submit its application after the license's invalidation within three months, or the Commission rejected to issue the license.~~

/This paragraph was deemed invalid by the law of January 6, 2023/

Article 16. Saving activities of the Saving and Credit Cooperative

- 16.1. The licensed Saving and Credit Cooperative shall take savings only from its members based on their written contract.
- 16.2. Savings policy of the saving service shall be approved by the General Meeting of the members.
- 16.3. Mobilized savings shall not be included in equity of the Saving and Credit Cooperative. Savings shall be prohibited for use as resource for other types of activities except loans and activities licensed by the Commission.
- 16.4. Members' savings can be used as a collateral for his/her loans.
- 16.5. Savings can be jointly owned, the charter of the Saving and Credit Cooperative shall regulate whether the shared owner is a member of the Saving and Credit Cooperative or not.
- 16.6. The Commission may determine the limit of the maximum amount of savings to be mobilized per member.
- 16.7. The Saving and Credit Cooperative shall provide security for its members' savings.

Article 17. Loan activities of the Saving and Credit Cooperative

- 17.1. The Saving and Credit Cooperative shall provide loans only to its members in accordance with this law, the charter and the loan policy of the Saving and Credit Cooperative.
- 17.2. The loan conditions such as loan size, loan purpose, types of loans, loan term and interest rate can be determined by the charter of the Saving and Credit Cooperative and the Board of Directors.
- 17.3. The Saving and Credit Cooperative shall bear the responsibility to monitor and supervise the quality of disbursed loans and in order to protect risks shall establish a loan provision fund in accordance to the relevant regulation and legislative acts.
- 17.4. The prudential ratio established by the Commission shall be followed for determining the size of loan for common interest bodies.
- 17.5. Unless the charter of the Saving and Credit Cooperative otherwise provides, loans shall be guaranteed by collateral, guarantees and other legally authorized facilities.
- 17.6. For disbursed loans as stated in the Paragraph 16.4 of this law, the transaction from the saving account shall be limited to the amount of the outstanding loan/s.
- 17.7. It is prohibited to disburse loans by guaranteeing the share capital of the member.
- 17.8. The Saving and Credit Cooperative shall make a loan contract in accordance with the Civil Code and additional interest¹ can be included in the contract as prescribed in Paragraph 452.2 of the Civil Code. The loan penalty² shall not be used in the loans disbursed by the Cooperative.
- 17.9. The members of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and the staff shall not take any privileges in receiving loans due to their positions.
- 17.10. The members of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and the staff shall not participate in the decision making of a loan if it discusses his/her application or the application of his/her common interest bodies.

Article 18. Prohibited activities for saving and loan operations

- 18.1. The following activities are prohibited for saving and loan operations:

¹Additional interest charge for late payment.

² It is penalty due to the late loan repayment. By the Civil code the penalty consists of a charge of profit/loss and a penalty.

- 18.1.1. to provide saving and lending operations if not licensed as prescribed Paragraph 13.4 of this law, or after suspension and revocation of the license to provide saving and lending operations;
- 18.1.2. to provide loans for non-member bodies and mobilize deposits from non-member bodies;
- 18.1.3. to receive loans and capital with similar condition of the loan from the organizations except the banks, the financial institutions, projects and programs;
- 18.1.4. sources of assets not stated in the financial statements of the Saving and Credit Cooperative shall not be utilized for deposit and loan operations;
- 18.1.5. to use the loan collateral for purpose except the loan repayment;
- 18.1.6. to conduct any public advertisement and promotion about saving and loan interest, prediction about income and achievements of the Saving and Credit Cooperative, or promise prize, or income for the purpose of increasing the amount of savings mobilization;
- 18.1.7. in order to increase the amount of savings mobilization, to organize a lottery with any types of prize, and gambling among the members and the public.
- 18.1.8. to provide misleading information about the activities;
- 18.1.9. to make investments in legal entities;
- 18.1.10. to give donations for the member and the non-member bodies if not approved by the General Meeting of the members.
- 18.2. The information about the member of the Saving and credit Cooperative shall not be disclosed to others except in the following cases:
 - 18.2.1. the member agrees;
 - 18.2.3. requested by authorized bodies such as the Commission, the Court, the Police and the Procurator.
- 18.3. Disobedience of Paragraphs 18.1 and 18.2 of this law shall be legal grounds to terminate and suspend the license of the Saving and Credit Cooperative.
- 18.4. The operation of disbursing loans and mobilizing savings from its members shall be prohibited for the Saving and Credit Cooperative from the day of suspension and revocation of the license. Receiving repayments from previously disbursed loans and to pay back current savings shall be allowed.
- 18.5. Saving and Credit Cooperative shall not provide salaries for members of the Board of Directors, the Supervision Committee and Loan Approval Committee and their expenses of the activities shall be reimbursed by the cooperative.

CHAPTER FOUR. MEMBERSHIP OF THE SAVING AND CREDIT COOPERATIVE

Article 15. Membership of the Saving and Credit Cooperative

- 19.1. The Saving and Credit Cooperative shall have not less than 20 members.
- 19.2. Members of the Saving and Credit Cooperative shall be a citizen of Mongolia, who has legal authority and a legal entity who complied with requirements of the Cooperative's Charter and this law.
- 19.3. Members of the Saving and Credit Cooperative shall meet at least one of the following requirements;
 - 19.3.1. colleagues in the same organization or engage in business in the same trade centre in the same district;
 - 19.3.2. members of the same association or union affiliated in similar activities, religious, social, cooperatives, work, job or education group and so on;
 - 19.3.3. live in the same aimag, district or city.
- 19.4. Family members and relatives can hold membership in the same Saving and Credit Cooperatives. In this case, they shall inform the Saving and Credit Cooperatives that they have a common interest in advance.
- 19.5. Not more than 10% of the members can be legal entities.
- 19.6. The Saving and Credit Cooperative may prescribe other requirements in its charter in compliance with requirements prescribed Paragraphs from 19.1 to 19.4 of this law.

- 19.7. If the total number of members does not reach the number indicated the Paragraph 19.1 of this law, the Board of Directors shall call the General Meeting of the members within 30 working days to discuss whether or not to liquidate the Cooperatives.
- 19.8. The Saving and Credit Cooperatives may take savings as a guarantee of the loan repayment if the member has any debt or has not complied liability partially or fully. In this case, member's transactions shall be limited with the amount equal to the member's liability.

Article 20. Registration of members

- 20.1. The Board of Directors shall be responsible in registration and keeping records of the members, and in the reliability of information. Changes shall be informed to the Commission within timeframes prescribed in the law.
- 20.2. If the charter prescribes, the authority of membership of the Saving and Credit Cooperative shall commence when the minimum share capital is invested fully with the amount prescribed in the charter. In this case, the members shall invest their share capital within the timeframe fully prescribed by the charter.
- 20.3. The Saving and Credit Cooperatives, the Board of Directors, the Executive Director and the staff shall provide access for the member to his/her relevant information and membership registration documents.

Article 21. Membership engagement

- 21.1. Unless the law otherwise provides, the Saving and Credit Cooperatives shall set a requirement for its membership in the charter.
- 21.2. An applicant for membership shall submit its request to the Board of Directors.
- 21.3. Unless the charter otherwise provides, the Board of Directors shall make a decision about the applicant's membership within 30 days.
- 21.4. The Saving and Credit Cooperatives shall not require any payments except the minimum share capital and the membership fee.
- 21.5. Comply with the requirements prescribed in Paragraph 20.2 of this law.

Article 22. Withdrawal membership

- 22.1. The member may withdraw its membership from the Saving and Credit Cooperatives voluntarily and the member shall inform the Board of Directors in writing 30 days prior.
- 22.2. The Board of Directors shall close relevant accounts from the day it received a notice as indicated in Paragraph 22.1 of this law, except when prescribed in Paragraph 25.2 of this law.
- 22.3. If the member does not comply the requirements prescribed in Paragraph 19.2 of this law, the member shall inform to the Saving and Credit Cooperatives voluntarily and shall submit notice to withdraw its membership.
- 22.4. Non-performance of duties stated in Paragraph 22.3 of this law will be a basis to withdraw his/her membership and the membership privileges close the day when a member does not meet requirements stated in the Paragraph 22.3 of this law.

Article 23. Dismissal and suspension of membership

- 23.1. Membership may be suspended or dismissed by the decision of the Board of Directors, if a member does not perform duties in compliance with the Cooperative's charter or any other relevant legislative acts and regulations, violated or disobeyed the contract intentionally, not invested required share capital, or ceased membership through transferring his/her authorities, obligations and share capital to other members or did not re-apply to keep a membership within prescribed the timeframe and since deemed as an inactive member.
- 23.2. The Saving and Credit Cooperatives shall provide an opportunity for a member subject to the Paragraph 23.1 of this law to participate in the Board of Directors meeting to discuss his/her membership.

- 23.3. If the member does not agree with the decision of the Board of Directors about suspension and withdrawal of membership, the member can submit a complaint to the General Meeting of the members.
- 23.4. A suspended member until the decision of the General Assembly shall not take rights stated in this law and in the charter of the Saving and Credit Cooperatives.

Article 24. Ceasing membership of the Saving and Credit Cooperatives

- 24.1. The membership shall cease in the following cases:
 - 24.1.1. withdraw of the member from the registration list by approval of the Board of Directors based on the member's request;
 - 24.1.2. changes made in the registration through transferring member's authority to others;
 - 24.1.3. in the case where the Saving and Credit Cooperatives does not accept double membership or the member holds double membership in other Saving and Credit Cooperatives.
- 24.2. The membership shall be considered as ceased in the following cases:
 - 24.2.1. lost his/her full legal capability;
 - 24.2.2. member passed away or considered as passed away;
 - 24.2.3. member legal entity liquidated or bankrupted
- 24.3. If the Saving and Credit Cooperatives closes down the membership shall be ceased.

Article 25. To close an account for ceased members

- 25.1. Except the share capital of the member, whose membership is ceasing, the members' accounts shall be closed within 30 days since the day membership ceased, or membership considered as ceased.
- 25.2. The share capital prescribed in Article 24 of this law and dividend of the financial year per member shall be transferred to the relevant body in accordance with the Civil Code.
- 25.3. If the share capital prescribed in Paragraph 25.2 of this law has no recipient, the share capital shall be allocated to the special account the same as the inactive member's capital, and shall be recorded in the financial statements and information.
- 25.4. A complaint, about closing down the accounts of the ceased members or those considered as ceased members, may be submitted to the Court.

Article 26. The duties and rights of members of Saving and Credit Cooperatives

- 26.1. Members of the Saving and Credit Cooperative shall have the following rights:
 - 26.1.1. to attend for the General Meeting of the members with voting rights;
 - 26.1.2. to propose to convene the General Meeting of members;
 - 26.1.3. to elect and to be elected as member of the Board of Directors, the Supervision Committee and the Loan Committee;
 - 26.1.4. to receive loans, to deposit savings and receive any other available services from its affiliated Saving and Credit Cooperative;
 - 26.1.5. to appeal/complain to the Commission about illegal operations of the Board of Directors and the General Meeting of the members;
 - 26.1.6. to withdraw membership;
 - 26.1.7. to invest capital within the given limit in accordance of this law and the charter of the Saving and Credit Cooperative and to receive dividends in proportion to his/her invested capital;
 - 26.1.8. to receive capital in the proportion of his/her invested capital in case the cooperative is liquidated;
 - 26.1.9. to transfer and inherit owned shared capital in compliance of existing laws and regulations;
 - 26.1.10. other rights prescribed by the charter of the Saving and Credit Cooperative.
- 26.2. Members of the Saving and Credit Cooperative shall have the following responsibilities:
 - 26.2.1. to participate in activities, to receive information about activities of the Saving and Credit Cooperative and to be introduced in a regular way to its current financial and economic situation, the quarterly and the annual financial statements, the decisions of

- the Board of Directors, the Supervision Committee and the operational report, the minutes of the General Meeting of the members and the registration of the members;
- 26.2.2. to invest share capital within prescribed timeframes;
 - 26.2.3. to participate in activities of the Saving and Credit Cooperative in person, to follow decisions made by the Board of Directors, the Supervision Committee and the Executive Director;
 - 26.2.4. to comply with duties of savings, loans and any other duties set in the contracts;
 - 26.2.5. to inform changes in the information of the member's registration.
- 26.3. If the charter is not authorized, the member of the Saving and Credit Cooperatives shall be prohibited to be a member of the other Saving and Credit Cooperatives.

Article 27. Liability of the member

- 27.1. If the member caused damage to the Saving and Credit Cooperative due to the violation of this law, the charter, the procedures, the agreements or any other legislation, the member shall recover the member's private capital, and if the member was a legal entity, it shall be recovered by its equity.
- 27.2. If a cooperative is unable to pay its obligations for others, a member shall be responsible only for his/her contributed share capital to the cooperative. The member shall not take any responsibility for its private capital.
- 27.3. If it is verified that profit, income and properties are transferred to other's ownership or to joint-ownership in a purpose of avoiding the recovery of damage for Saving and Credit Cooperatives or to obscure any illegal activities, the payment from the capital shall be repaid by the amount equal to the damage.
- 27.4. Suspension and ceasing of the membership, subject to Paragraph 27.1 of this law, shall not be legal grounds to eliminate them from the legal responsibilities if the membership.

CHAPTER FIVE. ADMINISTRATION AND INTERNAL CONTROL OF THE SAVING AND CREDIT COOPERATIVES

Article 28. Administration of a Saving and Credit Cooperatives

- 28.1. The Saving and Credit Cooperative shall have a Board of Directors, Supervision Committee, Loan Committee, Executive Director and staff.
- 28.2. The Saving and Credit Cooperative may prescribe other administration units in its charter besides having structures prescribed Paragraph 28.1 of this law.

Article 29. The General Meeting of the members

- 29.1. The general meeting of the members shall be the superintendent body of the Saving and Credit Cooperative.
- 29.2. The general meeting of the Saving and Credit Cooperative shall have the following authorities:
 - 29.2.1. to approve, amend and change the charter of the Saving and Credit Cooperative;
 - 29.2.2. to endorse organizational and administration structure of the Saving and Credit Cooperative and the annual budget of the financial year;
 - 29.2.3. to discuss and approve reports of the establishment and operations of the Saving and Credit Cooperative;
 - 29.2.4. to elect, discharge and dismiss the members of Board of Directors and the Supervision Committee;
 - 29.2.5. to endorse the policy of the saving and the lending operations;
 - 29.2.6. to endorse internal procedures of the Board of Directors, the Supervision Committee, the Loan Committee and other operations;
 - 29.2.7. to deliberate complaints and comments of the members regarding the operations of the members of Board of Directors and the Supervision Committee;
 - 29.2.8. to determine and modify the minimum and the maximum limitation of the share capital per member within prescribed restraints on Paragraph 43.2 of this law;

- 29.2.9. to determine limitation of the operational expenditures and the amount of compensation for the Board of Directors, the Supervision Committee and the internal audit;
 - 29.2.10. unless the laws otherwise provide, to resolve affiliation for the association of the Saving and Credit Cooperative and the withdrawal from it;
 - 29.2.11. to approve the development policy and business plan of the Saving and Credit Cooperative and ensure its implementation;
 - 29.2.12. to endorse the annual financial statement and reports and make decisions to allocate annual surpluses of the cooperatives and recover losses
 - 29.2.13. to define the amount of the cooperative's equity and reserve capital and make decisions to compensate losses from the reserve capital;
 - 29.2.14. to deliberate upon operational reports of the Board of Directors and the Supervision Committee;
 - 29.2.15. to make decisions on reconstruction and liquidation;
 - 29.2.16. other issues as prescribed by laws and the charter.
- 29.3. The Supervision Committee shall report to the General Meeting of the members and the Extraordinary General Meeting of the members on the internal transparency of the Saving and Credit Cooperative's compliance with the provisions of this law and the charter, operations of savings and lending, financial circumstance and compliance extent of the operational prudential standards determined by the Commission.

Article 30. Calling the General Meeting of the members

- 30.1. The general meeting of the members shall be ordinary and extraordinary.
- 30.2. The Board of Directors shall endorse the decision to convene the General Meeting of the members.
- 30.3. The Extraordinary General Meeting shall be convened by the decisions of the Board of Directors and the Supervision Committee, or written proposals of at least one third of the total members.
- 30.4. the proposal prescribed in Paragraph 30.3 of this law, shall include justification of convening the Extraordinary General Meeting of members and proposed agenda to be discussed.
- 30.5. The Extraordinary General Meeting of members must be convened in the following cases:
 - 30.5.1. to liquidate the Saving and Credit Cooperative;
 - 30.5.2. deteriorated financial and settlement capability of the Saving and Credit Cooperative, and insolvency of institutional equity;
 - 30.5.3. proposal to convene the General Meeting of the members by the authority of bodies prescribed in Paragraph 30.3 of this law;
 - 30.5.4. endorsed appeal by the Commission or the Court to convene the General Meeting of the members

Article 31. Convene the General Meeting of members

- 31.1. The General Meeting of the members shall be held prior to 1 April of the following year after the financial year end.
- 31.2. Notice of the General Meeting of members and outlines to be considered at the meeting shall be delivered to members at least 30 days prior to the meeting.
- 31.3. For the purpose of providing the possibility to deliver announcement concurrently, the following approaches shall be used:
 - 31.3.1. public media;
 - 31.3.2. letters and other instruments defined by the charter of the Saving and Credit Cooperative.
- 31.4. The Board of Directors must convene the General Meeting within 30 business days after endorsement of the Board of Directors and the Supervision committee, submission of written proposal of a third members to call an Extraordinary Meeting subject to Paragraph 30.3, or receiving appeal from the Commission or the Court to convene the Extraordinary General Meeting of members.

- 31.5. The Board of Directors may call the Extraordinary General Meeting any time if needed. Notice and outlines of the meeting shall be delivered 10 business days prior to the meeting.

Article 32. Quorum of the General Meeting of members and Decision Making

- 32.1. The notice of the meeting shall be distributed officially to members who have voting rights. The distribution information of the notice shall be introduced to the attending members of the meeting. The General Meeting shall be valid when attendance is not less than 50 percent of the total members if the Saving and Credit Cooperative has less than 100 members. If the Saving and Credit Cooperative has more than 101 members, the meeting shall be valid when attendance is not less than 20 percent of the total members.
- 32.2. The General Meeting shall be reconvened if the quorum does not comply with the prescribed requirement in Paragraph 32.1. The notice of the reconvened meeting and the outlines shall be delivered to the members at least 5 business days prior to the meeting.
- 32.3. A decision of the General Meeting of members shall be made by a majority of votes of the attending members. The decision shall be in the format of a resolution and the decision shall be endorsed by the signing of the Board of Directors' Chairman.
- 32.4. Disregarding the amount of the invested share capital, a member shall have one voting right.
- 32.5. The members of the Board of Directors and the Supervision Committee shall be elected by the secret ballot voting system, and other issues shall be resolved through the procedure of the charter.
- 32.6. A member may send its proposition in writing if he/she has a respectful reason that cannot attend physically for the General Meeting of members.
- 32.7. The Board of Directors shall not be responsible for the absence of those who were not notified of the General Meeting of members, or missed the meeting but were noticed.
- 32.8. The Saving and Credit Cooperative and the Board of Directors shall not be responsible for results that related to the member who did not inform its change of address subject to Section 26.2.5 of this law.

Article 33. Procedure of a General Meeting of members and its minutes

- 33.1. The chairman of the Board of Directors shall chair a general meeting of members. The acting chairman shall exercise the duty in the chairman's absence.
- 33.2. The General Meeting shall elect the secretary and the vote counting committee of the meeting.
- 33.3. The process of the general meeting shall include a minute-by-minute account of the meeting and the minutes must include the following information:
- 33.3.1. date, place and timing of the General Meeting of members
 - 33.3.2. attendance of the General Meeting of members;
 - 33.3.3. members names subject to Paragraph 33.2 of this law and the elected percentage;
 - 33.3.4. outlines of the General Meeting of members;
 - 33.3.5. election method and form of the General Meeting of members;
 - 33.3.6. record number of votes that agreed, disagreed and suspended by each outline.
- 33.4. The chairman of the Board of Directors and a member, who took the minutes, shall sign the minutes for endorsement.

Article 34. The Board of directors

- 34.1. The Board of Director shall exercise the powers of the Saving and Credit Cooperatives between the General Meetings of members and shall report to the General Meeting of members.
- 34.2. The Board of Directors shall comprise not less than three members with an odd number elected from the General Meeting of members.
- 34.3. Members of the Board of Directors must be members of the Saving and Credit Cooperative and must meet the following requirements to be eligible:
- 34.3.1. without delinquent loans;
 - 34.3.2. without criminal record;

- 34.3.3. without conflict to act for the elected position;
- 34.3.4. no managerial level working records for last three years in a bankrupted legal entity of the financial sector.
- 34.4. Members of the Board of Directors of the Saving and Credit Cooperative should have a professional qualification in banking, finance and legislation, or knowledgeable and experienced in cooperatives and local development.
- 34.5. A member of the Supervision Committee, the Executive Director and the staff are prohibited to be elected as a member of the Board of Directors.
- 34.6. The term of authority of a member of the Board of Directors shall not exceed three years.
- 34.7. The composition of the Board of Directors may not be required to be changed at the same time and may have a reserve member if it is prescribed in the charter of the Saving and Credit Cooperative. In this case, related regulations of election of a member of the Board of Directors and the reserve member shall be prescribed in the charter of the Saving and Credit Cooperative.
- 34.8. Members of the Board of Directors shall appoint from among themselves the chairman. The chairman of the Board of Directors shall be the chairman of the Cooperative.
- 34.9. The Board of Directors shall hold meetings at least once every 30 days and shall make decisions by majority votes. The decision of the Board of Directors shall be in the format of a resolution.
- 34.10. The Board of Directors may suspend a member of the Board of Directors who has failed to attend board meetings for three or more times without reasonable reason or failed to comply the responsibilities prescribed in the charter of the Saving and Credit Cooperative, by its absolute majority votes. Within 45 days from the suspension, the Board of Directors shall have endorsement from the General Meeting of members about dismissal of the member.
- 34.11. A member of the Board of Directors, who has a delinquent loan for the Saving and Credit Cooperatives and is suspended by the Board of Directors, shall not have voting rights for the meeting of the Board of Directors.
- 34.12. A member of the Board of Directors shall have the obligation to provide for confidentiality of the information received for business purposes.
- 34.13. Details of the Board of Directors, its members' authority and operational procedures of the Board of Directors shall be prescribed in the charter of the Saving and Credit Cooperative.

Article 35. Authority of the Board of Directors

- 35.1. The Board of Directors shall have following authorities:
 - 35.1.1. to develop policy and business planning of the Saving and Credit Cooperative and get approval from the General Meeting of the members.
 - 35.1.2. to provide compliance with the laws, the charter and procedures of the Saving and Credit Cooperative;
 - 35.1.3. to oversee performance of the Saving and Credit Cooperative against the prudential standards of operation;
 - 35.1.4. to approve the saving and the lending procedures, and determine interest rates;
 - 35.1.5. to stipulate compliance of accounting standards and legal acts, and submit financial reports for the consideration of the Supervision Committee and the General Meeting of the members for discussion;
 - 35.1.6. to develop proposals to compensate losses from annual income, allocation of the reserve fund, fees for the deposit guarantee and stabilization fund, and the amount of distribution surplus, and submit to the General Meeting of members and get approval;
 - 35.1.7. to inform to the Commission if the potential losses cannot be compensated from the reserve fund, by the annual and quarterly financial report, or deteriorated financial and settlement capability of the Saving and Credit Cooperative, and insolvency of institutional equity, and shall have urgent discussions in the General Meeting of members;
 - 35.1.8. to oversee the implementation of the approved annual budget by the General Meeting of members;

- 35.1.9. to make decisions on agreement if the amount of an agreement or the total amount of several related agreements is higher than 10 percent of the total assets by the latest financial statement, and the issues related with the conflict of interests.
- 35.1.10. to arrange preparatory work to convene the General Meeting of the members;
- 35.1.11. unless the charter otherwise provides to make decisions by the General Meeting of members, resolve engagement of new members, suspend membership authority and determine whether a member is an inactive member;
- 35.1.12. to receive and resolve applications of member's leaving from the Saving and Credit Cooperatives, or transfer of his/her share to others;
- 35.1.13. to complete receivables and payables with the persons prescribed in Article 24 of this law through the related acts.
- 35.1.14. to conduct records of the members and timely updates, inform to the Commission if the number of members does not meet with the requirements of the minimum number of members according to the law, and take required actions;
- 35.1.15. unless the charter otherwise provides to resolve by the General Meeting of members, set up the loan committee and other committees, appoint its members and oversee its operations;
- 35.1.16. to appoint the Executive Director, make the contract and oversee its operation;
- 35.1.17. after making the decision to establish the Saving and Credit Cooperative, shall arrange registration of the Saving and Credit Cooperative to the state registration and update related changes timely to the registration whenever a change happens;
- 35.1.18. shall approve loans to a member of the Supervision, Loan Committee, and the Executive Director if he/she is a member of the cooperative, and shall monitor implementation of the lending agreement;
- 35.1.19. to discuss those issues, which do not belong to the authority of the General Meeting of members and the Supervision Committee by the law, and make decisions;
- 35.1.20. in order to provide liquidity, make decisions to get short term borrowings from a bank, a non-bank financial institution, or from a project or program within the determined amount prescribed in the prudential standards.

Article 36. The Supervision Committee

- 36.1. The Supervision Committee shall undertake the internal audit of the operations of the Saving and Credit Cooperative and report its activity to the General Meeting of members.
- 36.2. The Supervision Committee shall be established from the General Meeting of members with an odd number of members.
- 36.3. The composition of the Supervision Committee may not be required to be changed at the same time and may have a reserve member if it is prescribed in the charter of the Saving and Credit Cooperative. In this case, related regulations of the election of a member of the Supervision Committee and the reserve member shall be prescribed in the charter of the Saving and Credit Cooperative.
- 36.4. A member of the Board of Directors and the Loan Committee, the Executive Director and the employees shall be prohibited to be a member of the Supervision Committee. A member of the Supervision Committee must be a member of the Saving and Credit Cooperative.
- 36.5. Paragraphs 34.3, 34.4, 34.11 of this law shall be applied to the member of the Supervision Committee.
- 36.6. The term of the authority of the member of the Supervision Committee shall not exceed three years. Members of the Supervision Committee shall elect among themselves the chairman.
- 36.7. The chairman shall conduct the meeting of the Supervision Committee and the acting chairman in his/her absence, who is the member of the Supervision Committee and appointed by the chairman, shall convene the meeting.
- 36.8. The meeting of the Supervision Committee shall be valid with the attendance of a majority of the members.

- 36.9. A decision of the Supervision Committee shall be made by the majority of the attending members. A decision shall be endorsed by members signing they agreed with the decision.
- 36.10. The Supervision Committee shall hold meetings at least twice per quarter.
- 36.11. The meeting of the Supervision Committee may be convened anytime when recommended by a majority of the members of the Board of Directors and the Supervision Committee, or the Chairman of the Supervision Committee as deemed necessary.

Article 37. The Authority of the Supervision Committee

- 37.1 The Supervision Committee shall have the following authorities:
 - 37.1.1. to inspect the operations of the Board of Directors, the Loan Committee and the Executive Director, and compel implementation of tasks and decisions of the Commission, the General Meeting of the members and the Supervision Committee;
 - 37.1.2. to acquire required documents and information related to the operation of the Saving and Credit Cooperative and exercise the tasks to be supervised;
 - 37.1.3. to analyse implementation of the policy and the financial activities of the Saving and Credit Cooperative, monitor compliance with the prudential standards of operations, prepare appraisals and submit these to the General Meeting of the members;
 - 37.1.4. to prepare recommendations and a review for the annual and quarterly financial reports, the surplus distribution and a proposal to compensate the loss, and submit to the General Meeting of the members for discussion;
 - 37.1.5. to propose to the Board of Directors the suspension of authority of the Executive Director, or suspend the authority of the Executive Director if a meeting of the Board of Directors is impossible to be held.
 - 37.1.6. to convene the Extraordinary General Meeting of the members if required;
 - 37.1.7. if the actions of the Board of Directors, the Loan Committee and the Executive Director are illegal and are not in the best interest of Saving and Credit Cooperative and their members, cease the actions, cancel the related endorsements and compel a remedy;
 - 37.1.8. to give official admonition to the Board of Directors, the Loan Committee, the Executive Director and the staff, who disobeyed legal acts, the charter and the procedures, and appeal to the super intendent organization and the officials for claiming responsibility if required;
 - 37.1.9. to control the lending operations to the Board of Directors, the Loan Committee and the Executive Director and the employees, who are member of the Cooperatives, and approve loans to the members of the Board of Directors;
 - 37.1.10. if the Board of Directors, the Loan Committee and the Executive Director and the staff do not comply with decisions made by the Supervision Committee and the governing bodies among its authorization, and results in damage to the Saving and Credit Cooperatives and its members, the supervision committee shall appeal to the court on the behalf of the Saving and Credit Cooperative and attend the juridical actions;
 - 37.1.11. to attend the meeting of the Board of the Directors and the Loan Committee without voting rights;
 - 37.1.12. to hire professional inspectors if needed;
 - 37.1.13. other rights prescribed in the charter.

Article 38. The Loan Committee

- 38.1. A Saving and Credit Cooperative shall have a Loan Committee.
- 38.2. The Loan Committee shall be established with at least three members by the Board of Directors, and the Loan Committee shall report its operation to the Board of Directors.
- 38.3. At least one third of members of the Loan Committee shall be knowledgeable and experienced in banking, finance, economy, or local development and cooperatives.
- 38.4. The Saving and Credit Cooperative may determine to establish the Loan Committee by the General Meeting of the members prescribed in the charter. In this case, the Board of Directors shall appoint the chairman of the Loan Committee, and the operations shall be reported to the General Meeting of the members.

- 38.5. Paragraphs 34.3, 34.4, 34.11 of this law shall be incorporated by the members of the Loan Committee. Members of the loan committee are prohibited to be members of the Board of Directors and the Supervision Committee.
- 38.6. The frequency of the Loan Committee meetings shall be prescribed in details in the charter. The meetings shall be valid with the attendance of a majority of the members.
- 38.7. A decision of the Loan Committee shall be made by the majority of the attending members. The decisions shall be endorsed by signing of the members who agreed with the decisions.
- 38.8. The Loan Committee shall have the following authorities;
 - 38.8.1 unless the charter otherwise provides, implement the loan policy and submit recommendation to the Board of Directors;
 - 38.8.2. unless the charter otherwise provides, receive loan applications and review, make decisions whether or not to release the loan, and make the loan agreement;
 - 38.8.3. monitor the repayment of the loans;
 - 38.8.4. if needed, submit proposals to the Board Directors to convene a general meeting of the members;
 - 38.8.5. other rights and powers prescribed in the charter of the saving and credit cooperative.

Article 39. Executive Director

- 39.1. The Executive Director shall exercise duties to oversee daily operations of the Saving and Credit Cooperative.
- 39.2. The Board of Directors shall appoint the Executive Director, and make a contract. The Executive Director shall report to the Board of Directors.
- 39.3. The contract of the Executive Director shall determine his/her rights, duties, limitation of the responsibilities, exemption grounds from the responsibility, the wage and the compensation.
- 39.4. Members of the Board of Directors and the Supervision Committee are prohibited to work as the Executive Director.
- 39.5. Unless the charter otherwise provides, the Executive Director may be a non-member of the Saving and Credit Cooperative.
- 39.6. The Executive Director shall comply with the following criteria:
 - 39.6.1. knowledgeable and experienced on banking, finance, economy and legislation, or local development and cooperatives;
 - 39.6.2. without delinquent loans;
 - 39.6.3. without criminal record;
 - 39.6.4. without conflict to proceed to the position;
 - 39.6.5. no managerial level working records for last three years in a bankrupted legal entity of the financial sector.
- 39.7. The Executive Director shall have the following authorities;
 - 39.7.1. represent the Saving and Credit Cooperative to the internal and external affairs as delegated by the Board of Directors;
 - 39.7.2. appoint, hire and dismiss employees, contract with them and stipulate their functions;
 - 39.7.3. attend civil juridical affairs on the behalf of the Saving and Credit Cooperative;
 - 39.7.4. resolve to make single or several correlated agreements with amounts of less than 10 percent of the total assets by the latest financial statement.
- 39.8. The Executive Director must inform upon issues immediately to the Board of Directors and the Commission, if they confront conditions subject to the Section 35.1.7 of this law, and shall propose further required actions.

Article 40. Responsibility of the members of the Board of Directors, Supervision Committee and Loan Committee, the Executive Director and the Employees

- 40.1. If a member of the Board of Directors, the Supervision Committee, the Loan Committee, or the Executive Director or Employee used assets for personal purposes, and caused damage to the Saving and Credit Cooperative due to his/her improper actions, the body, who is guilty of the offence, shall be liable by their personal possessions.

- 40.2. In order to avoid repaying damages for the Saving and Credit Cooperatives or obscure its illegal actions, if the body's action is proved to be transferred to his/her profit, income and property to the possession of the someone else, or to be shared property with the someone else, the damage shall be repaid from the transferred possessions to the amount of the damage.
- 40.3. The liability shall not be eliminated, if a member of the Board of Directors, the Supervision Committee and the Loan Committee, the Executive Director and the employee were knowing that his/her supervisor or superintendent's decision might cause damage for the Saving and Credit Cooperative and the members, or implemented the decision even though he/she was able to know.
- 40.4. The liability shall be eliminated, if a member of the Board of Directors, the Supervision Committee and the Loan Committee, the Executive Director and an employee deem that the decision might cause damage, is illegal, disagreed with the decision, and did not support the decision, or voted for the opposing decision that verified by the relevant documents.

Article 41. Duties of the members of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and Employees

- 41.1. Member of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and Employees knew or must have known the decision of his/her superintendent body, or the decision of the General Meeting of the members might cause damage, he/she must inform to the direct supervisor or governing body within five business days. The opposed person, who disagreed with the decision, shall have obligation to be noted in the minute of the meeting about his/her standpoint.
- 41.2. Members of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director and Employees must keep confidential he information of the Saving and Credit Cooperative, and avoid potential conflicts of interest.

Article 42. Actions with Conflict of Interests

- 42.1. If a member of the Board of Directors, the Supervision Committee, the Loan Committee, the Executive Director, an Employee or a member finds actions or inactions in order to make advantage or benefit for him/herself or for the person, who have a common interest, or make negative effect to the Saving and Credit Cooperatives, the related person shall inform the Board of Directors. The related person must avoid participating in decision-making on the contract and the agreement.
- 42.2. Any decision, contract or agreement made with a conflict of interest that contradicts Paragraph 42.1 of this law, shall be invalid.
- 42.3. If the action and inaction prescribed the Paragraph 42.1 caused damage to the Saving and Credit Cooperatives, the person, who is accountable for it, shall be fully liable for the damage.

CHAPTER SIX. INSTITUTIONAL CAPITAL OF SAVING AND CREDIT COOPERATIVE, FINANCIAL REPORT

Article 43. Institutional Capital

- 43.1. A Saving and Credit Cooperative shall record its accounting and bookkeeping through the accounting procedure approved by the Commission.
- 43.2. Maximum share capital per member shall not exceed 10 percent of the total share capital of the Saving and Credit Cooperative.
- 43.3. The Saving and Credit Cooperatives shall report its changes on the institutional capital and number of the members to the Commission half yearly and annually.

Article 44. The Share Capital of the Members and Annual Surplus Distribution

- 44.1. A member of the Saving and Credit Cooperative must invest his/her share capital, to at least the minimum amount of the Saving and Credit Cooperative.

- 44.2. The Saving and Credit Cooperative may distribute dividend from its annual net income to members after allocating to the reserve fund as prescribed in the charter of the Saving and Credit Cooperative.
- 44.3. The General Meeting of the members shall determine the amount of the dividend per the year.
- 44.4. The Board of Directors shall record the share capital of the members, and shall distribute dividends to members at least once a year based on the amount of the share capital per members.

Article 45. Capital of an Inactive Member of the Saving and Credit Cooperative

- 45.1. The Board of Directors shall determine a member as inactive, who had not been attended any activities of the Saving and Credit Cooperatives for 12 consecutive months and more, by the decision of the Board of Directors, and may suspend authority of the member.
- 45.2. The Board of Directors shall inform to the member officially 30 business days prior to the decision of his/her determination as an inactive member.
- 45.3. The member shall be deemed an inactive member if the member was able to receive the notice prescribed Paragraph 45.2 of this law, or received it but did not respond within 15 days. Share capital, balance of deposits, interest income and dividend per the year of the member shall be allocated to a separate account, and shall be reported on the financial statement separately.
- 45.4. Since the date of the decision by the board or members prescribed in Paragraph 45.1 in this law, the dividend shall not be allocated to the member and interest shall not be accumulated.
- 45.5. If the member that is deemed as an inactive member of the Saving and Credit Cooperative through the Paragraph 45.1, disagrees with the decision of ceasing of the membership, the member must claim to the general meeting of members to discuss the issue. If the member wants to restore his/her membership authority before the General Meeting of members, he/she may apply for restoration of his/her membership authority to the Board of Directors.
- 45.6. Settlement with an inactive member shall be resolved through Article 25 of this law.

Article 46. Financial report

- 46.1. The financial statement of the Saving and Credit Cooperatives shall comply with the International Accounting Standard and the accounting procedure approved by the Commission.
- 46.2. The Saving and Credit Cooperative shall prepare its financial statements quarterly and annually, and shall submit them to the Commission. The Commission shall have the authority to stipulate additional support documents related to the financial statement of the Saving and Credit Cooperative.
- 46.3. The Commission may stipulate rectification and adjustment to the Saving and Credit Cooperative if the description or data were inconsistent, or the statement disobeyed the related procedures.

CHAPTER SEVEN. RESTRUCTURING AND LIQUIDATION OF THE SAVING AND CREDIT COOPERATIVES

Article 47. Restructuring the Saving and Credit Cooperative

- 47.1. The restructuring resolution shall be made by the general meeting of the members. The decision shall be validated by an absolute majority of votes (66%).
- 47.2. The restructuring shall be made by endorsement of the Commission through the legislation.
- 47.3. In order to get restructuring approval, the following documents shall be submitted to the Commission;
 - 47.3.1. the application;
 - 47.3.2. the resolution of the general meeting of the members to restructure;

- 47.3.3. the resolution endorsement of the General Meeting of the members that is based on the justification and requirement to restructure, mode/status of the restructuring, conditions and terms of the restructuring, restructuring plan, steps and capital estimation and liability of the members after restructuring, and the financial statements and other required information;
- 47.3.4. estimation of the financial consequences due to the restructuring and the beginning balance sheet of the entity after restructuring.
- 47.4. Within 30 days of receiving the related documents, the Commission shall review and make a decision whether or not to allow the restructuring. The Commission shall send the decision to the Saving and Credit Cooperative and inform to the public.
- 47.5. The Commission may not allow the restructuring decision of the General Meeting if the members disobeyed the legal acts, or shall it cause negative effects to the interests of the members, or to the interest of the individual and the legal bodies that have accounts receivable to the cooperative.
- 47.6. During the restructuring process, the Commission may implement on-site inspection and technical consultancy if needed.

Article 48. Winding up Saving and Credit Cooperative

- 48.1. The affairs, not prescribed by this law about the restructuring of the Saving and Credit Cooperative, shall be regulated by the Civil Code and other related laws.
- 48.2. The Saving and Credit Cooperative shall be wound up for the following grounds:
 - 48.2.1. by the endorsement of the Court;
 - 48.2.2. by the decision of the General Meeting of the members if the Commission made an approval in writing.
- 48.3. The winding up decision of the Saving and Credit Cooperative shall be made by an absolute majority of the voting members.
- 48.4. Within 30 days of submission the related documents to the Commission, the Commission shall review and make the decision whether or not to agree with the winding up, and shall send the decision to the Saving and Credit Cooperative and inform the public.
- 48.5. The Commission may not agree with the winding up decision of the General Meeting if the members disobeyed legal acts, or caused negative effects to the interest of the members or to the interest of the individual and legal bodies that have accounts receivable from the Saving and Credit Cooperative.
- 48.6. The Commission shall claim to the court the winding up of the Saving and Credit Cooperative in the following cases:
 - 48.6.1. the Commission terminated the license but the Saving and Credit Cooperative did not wind up by its own initiative.
 - 48.6.2. subject to Paragraph 15.8 and 15.9 of this law.

CHAPTER EIGHT. THE ASSOCIATION OF THE SAVING AND CREDIT COOPERATIVES

Article 49. The Association of the Saving and Credit Cooperatives

- 49.1. Saving and Credit Cooperatives may establish voluntarily associations of Saving and Credit Cooperatives (hereafter the '*Association*') by this law and the related legal acts for the purpose of collaboration and to assist each other.
- 49.2. The Association, which complies requirements of the Commission, shall exercise the authority of the national association of the Saving and Credit Cooperatives to protect the rights and interests of cooperatives and represent them to the government and external affairs. Other associations shall be prohibited to use determination of '*national*'.
- 49.3. The Association shall have a name, stamp, official letter format and bank account.
- 49.4. The Association shall operate through the principles of Saving and credit Cooperatives.
- 49.5. The Association shall be registered in the state registration through the related laws and legal acts.

Article 50. The By-laws of the Association

- 50.1. The Association shall be established by a majority vote of the representatives of the Saving and Credit Cooperatives and shall endorse the by law of the Association.
- 50.2. The Association's by-laws shall be prescribed in the following issues:
 - 50.2.1. the objective of the by law;
 - 50.2.2. the name and the address of the Association;
 - 50.2.3. establishment date of the Association;
 - 50.2.4. the objective of the Association;
 - 50.2.5. the authority of the General Meeting of the members, procedures of its arrangement and decision making;
 - 50.2.6. the election procedure of the Chairman and members of the Board of Directors and the Supervision Committee;
 - 50.2.7. composition of the Board of the Directors and its authority;
 - 50.2.8. election and termination procedures of the Chairman of the Board of Directors and the Supervision Committee and its members, and term of its authority;
 - 50.2.9. the minimum number of the meetings of the Board of Directors and the Supervision Committee per annum, the quorum for the meetings, and the decision-making procedures;
 - 50.2.10. procedures of determining the membership fees from the affiliated Saving and Credit Cooperatives and the fee for the stabilization services;
 - 50.2.11. procedures of the amendment and changes to the by law;
 - 50.2.12. the rights and the duties of the members, engagement and withdrawal procedures of the membership, and the liability of the members who disobeyed the by-law;
 - 50.2.13. the conditions and the procedures of restructuring and winding up of the Association, and arrangements of its assets

Article 51. The Authority of the General Meeting of the members, the Board of Directors and the Supervision Committee

- 51.1. The General Meeting of the members shall exercise the following authorities;
 - 51.1.1. changes and amendments to the by-law;
 - 51.1.2. restructuring and winding up of the Association;
 - 51.1.3. approval of the annual budget of the Association
 - 51.1.4. the election and the termination of the Chairman and members of the Board of Directors and the Supervision Committee;
 - 51.1.5. the authority and the limitation of the Board of Directors to the administration of assets of the Association;
 - 51.1.6. other rights prescribed in the by law.
- 51.2. The Chairman of the Board of Directors shall be the Chairman of the Association.
- 51.3. The Board of Directors shall have following authorities;
 - 51.3.1. appoint and terminate the Executive Director and discuss their report;
 - 51.3.2. determine the authority and the limitations of the Executive Director to administer assets of the Association;
 - 51.3.3. determine the structure and arrangements of the executive staff;
 - 51.3.4. determine the amount of the salary, and compensation of the Executive Director and the staff;
 - 51.3.5. propose financial assistance from the stabilization fund;
 - 51.3.6. other rights prescribed in the by law
- 51.4. The Supervision Committee shall exercise the following authorities:
 - 51.4.1. monitor operations of the Board of Directors and the Executive Director;
 - 51.4.2. inspect reliability and accessibility of the stabilization service of the Association to the member Saving and Credit Cooperatives, and perform its appraisal;
 - 51.4.3. to be accessible with the documents, the reports and the information related to operations of the Association;
 - 51.4.4. conduct assessment of the quarterly and annual financial reports of the Association and submit them to the General Meeting of the members;
 - 51.4.5. submit proposals to suspend the authority of the Executive Director for the Board of Directors;

- 51.4.6. convene the Extraordinary General Meeting of the members if needed;
- 51.4.7. terminate the operations and insist decisions to made invalid if operations of the Board of Directors and the Executive Director were illegal, or impact negatively on the rights or the interest of the Association and its member Saving and Credit Cooperatives.

Article 52. Resources of Assets of the Association

- 52.1. The assets of the Association shall consist from the following resources:
 - 52.1.1. fees and donations from the members;
 - 52.1.2. donations from foreign and national citizens, entities and organizations;
 - 52.1.3. income from the business related to compliance with the by-law's objectives;
 - 52.1.4. assets from loans, inheritances and allocated capital from the state budget for projects' implementation.

Article 53. Objectives of the Association of Saving and Credit Cooperatives

- 53.1. The Association shall implement the following duties in order to assist provision of the financial sustainability of the member Saving and Credit Cooperatives, provide technical and professional support, and improve the quality of services to the members:
 - 53.1.1. develop a comprehensive policy to prepare human resources for the member Saving and Credit Cooperatives and collaborate with the government and non-government organizations, organize technical and professional support for the member cooperatives, conduct experience-sharing activities, capacity-building of the human resources and upgrade skills, promote the cooperatives movement to the public, and implement development policy of the cooperatives;
 - 53.1.2. develop a policy to provide integrated IT services to the member Saving and Credit Cooperatives, to establish intermediary data-processing centre to processing data by providing software and hardware, to protect and provide information and technical security and its confidentiality, and provide accessibility to the state database.
 - 53.1.3. determine the development policy of Saving and Credit Cooperatives, to prevent risks, to provide financial and management instruction and advice, and to make recommendations;
 - 53.1.4. to support and provide professional assistance to the member Saving and Credit Cooperatives on the auditing and improving quality of accounting, develop model formats of registration, the saving books and agreements, and provide integrated marketing services;
 - 53.1.5. in order to implement the goals prescribed in the by law, the Association shall provide the stabilization service to the member Saving and Credit Cooperatives to provide its financial sustainability.

Article 54. Stabilization services of the Association

- 54.1. The Association shall establish a stabilization fund and implement the following obligations for the purpose of provision of financial sustainability:
 - 54.1.1. monitor the risk ranking and the sustainability of the member Saving and Credit Cooperatives;
 - 54.1.2. provide financial assistance in order to stabilize the financial situation of the Saving and Credit Cooperatives.
- 54.2. The following principles shall be complied with for financial services to the financially-challenged Saving and Credit Cooperatives with the stabilization fund:
 - 54.2.1. a member Saving and Credit Cooperative shall submit its request to the Association for getting financial assistance;
 - 54.2.2. the Association shall conduct an assessment of the loan and saving portfolios of the Saving and Credit Cooperatives that applied for the financial service from the stabilization fund;
 - 54.2.3. based on the Commission's approval, the Association shall provide the financial service to the Saving and Credit Cooperatives.

- 54.3. The Stabilization Fund shall consist of the annual payment from the member Saving and Credit Cooperatives, grants and donations from international and national organizations, citizens, and legal bodies, and its operational income.
- 54.4. The Commission shall determine procedures of the administration and the supervision of the fund, and minimum requirement of the statutory reserve.
- 54.5. The Association shall provide the stabilization service through procedures approved by the Commission.
- 54.6. The rights of the member Saving and Credit Cooperatives to get financial stabilization services shall start from the date when the cooperatives paid fully its fee to the Stabilization Fund.
- 54.7. The maximum amount of the financial service from the Stabilization Fund shall not exceed three times the fee made by the Saving and Credit Cooperatives to the stabilization fund.
- 54.8. The financial assistance shall be prohibited if the statutory reserve of the stabilization fund does not comply to the minimum requirement.
- 54.9. The Association shall submit quarterly and annual financial reports of the Stabilization Fund to the Commission.

Article 55. Deposit protection system

- 55.1. The savings of a member of the Saving and Credit Cooperatives shall be insured. The insurance regulations of the Saving and Credit Cooperatives shall be prescribed in the deposit insurance legislation.

CHAPTER NINE. MONITORING AND INSPECTION OF SAVING AND CREDIT COOPERATIVES

Article 56. Monitoring and Inspection of the Saving and Credit Cooperatives and Compulsory Actions

- 56.1. The Commission shall monitor operations of the Saving and Credit Cooperatives prescribed by laws and the legal acts.
- 56.2. The Commission shall exercise the following compulsory actions when needed:
 - 56.2.1. give written notification, of the obligations and requisitions of correction actions with terms;
 - 56.2.2. inspection of the operations of the Saving and Credit Cooperatives, the Board of Directors, the Supervision Committee and the Loan Committee. If needed submit a request to dismiss the authority and to take legal action to the next level governing body and to appeal to the Court;
 - 56.2.3. cancel decisions of the Saving and Credit Cooperatives if the decisions were illegal or may impact negatively upon the members interest, and insist upon corrections;
 - 56.2.4. suspend, terminate licensing, and restore it when compliant the criteria and other requirements;
 - 56.2.5. provide approval for winding up.
- 56.3. The Commission shall approve procedures for the implementation of the compulsory actions prescribed Paragraph 56.2 in this law.
- 56.4. If required, the Commission may prohibit expenditures from the deposit account and releasing loan from the Saving and Credit Cooperatives, or from the intermediary cooperative's account that it is affiliated to.
- 56.5. The Commission shall conduct timely inspection of the Saving and Credit Cooperatives when there is a deterioration in the financial and settlement capability, and insolvency of the institutional capital.
- 56.6. Based on the inspection results prescribed article Paragrph 56.5 of this law, may assign the terms for obligations for corrections for non-compliant indicators, or insist on convening the General Meeting of the members to the Board of Directors.
- 56.7. If the Saving and Credit Cooperative, or its Board of Directors did not conform to obligations of the Commission prescribed Paragraph 56.6, the Commission may appeal to the Court to cope with the damage caused by its actions on the behalf of the Saving and Credit Cooperatives and the members without verification.

CHARTER TEN. LIABILITY OF DISOBEY THE LAWS AND LEGAL ACTS

Article 57. Penalties to be imposed on persons in breach of legislation

- 57.1. If a breach of this law does not constitute a criminal offense, an official shall be subject to liability specified in the Law on the Civil Service.
- 57.2. A person or legal entity that breaches this law shall be subject to liability specified in the Criminal Code or the Law on Infringement.

D. Demberel

Chairman, State Great Khural

INVESTMENT AND TRADE AGENCY