

PARLIAMENT EXTENDS THE IPO DEADLINE FOR MONGOLIAN BANKS BY A YEAR

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The Parliament approved the Law on Procedures for Enforcing the Amendments to the Banking Law last week, extending the mandatory deadline for commercial banks' public listing by a year.

On January 29, 2021, the Mongolian Parliament amended the Banking Law of Mongolia, forcing the so-called "systemic" commercial banks in Mongolia to become publicly-traded companies and, thus, issue an IPO by June 30, 2023. In addition, all commercial banks are required to decentralize shareholders by the end of 2023, limiting the maximum shareholding to 20% of the bank's total outstanding shares for an individual and their related parties.

However, due to rising prices following the economic crisis caused by the pandemic and the global political tension, the economic and financial situation is likely to worsen and the investment environment is at risk. In other words, setting the date for IPOs too early could lead to a decline in the banks' market value. Therefore, it is considered appropriate to extend the legal deadline for banks to issue their shares to the public.

Implementation of the amendments to the Banking Law will reduce ownership concentration, improve transparency, and strengthen the banking system's corporate governance in the medium-to-longer term, ultimately contributing to the system's stability.

The ownership concentration in Mongolia's commercial banks is extremely high, with up to three shareholders holding more than 90 percent of the total shares.