

**REGULATION CONCERNING THE ISSUANCE OF SOFT LOANS;
CRITERIA FOR BANKS; BANK SELECTION PROCESS;
LOAN REPAYMENT AND OVERSIGHT**

One. General provisions

1.1. In the issuance of a repayable soft loan from the Film Promotion Fund (hereinafter referred to as "Fund"), the General Disbursement Procedures of the Film Promotion Fund and this Regulation shall be followed.

Two. Terms of the soft loan

2.1. A member of the Cabinet in charge of cultural affairs shall approve the interest rates, loan duration periods, grace periods, and other conditions and requirements (hereinafter referred to as "General Terms") for loans and disbursements for projects and activities, in accordance with the law and Government policy.

2.2 The maximum amount of loan to be disbursed from the Fund shall be MNT 1,000,000,000.00 (one billion).

2.3 The duration of a loan issued from the Fund shall be up to three years, and the grace period shall be up to one year.

2.4. The interest rate on soft loans issued under this Regulation shall be lower than the minimum interest rate of SME loans.

2.5. In case a film project applying for a soft loan is a Mongolian film production project or a co-production, it shall be a film project in which the Mongolian producer finances at least 20% of the total costs of film production.

Three. Project requirements for the soft loan

3.1. The following documents shall be attached to the request of a citizen or legal entity wishing to participate in the selection of projects and activities specified in Article 13.2 of the Law on Promotion of Cinematography.

3.1.1. The following general information concerning the applicant shall be included:

- 3.1.1.a. Project overview;
- 3.1.1.b. Name of the legal entity, official address, operating address, and location;
- 3.1.1.c. Market research and economic estimations;
- 3.1.1.d. Overview of implemented projects, activities, and works;
- 3.1.1.e Information on current activities and business.

3.1.2. Market research and economic estimations shall include the following details:

- 3.1.2.a. Market research;
- 3.1.2.b. SWOT analysis;

- 3.1.2.c. Estimation of film distribution and sales revenue;
- 3.1.2.d. Estimation of production costs;
- 3.1.2. e. Estimation of project profitability;
- 3.1.2.f. Project risk prevention analysis or estimations for insurance coverage;
- 3.1.2.g Estimation of investment and loan disbursement;
- 3.1.2.h Return on the project and investment payback schedule.

3.1.3. The following additional information shall be included in the project aimed at introducing technology, software and innovations that will enhance the infrastructure required for film production:

- 3.1.3.a. Preliminary forecast and financial estimates of the potential outcome of the project;
- 3.1.3.b. Detailed project implementation plan;
- 3.1.3.c. Information on the owners and leaseholders of an area and immovable property selected for project implementation;
- 3.1.3.d. Expected outcomes of project implementation;
- 3.1.3.e Other documents which are required depending on the specifics of the project.

3.1.4. Information on a film project specified in Article 13.2.1 of the Law on Promotion of Cinematography shall include the following:

- 3.1.4.a. Introduction of the film story;
- 3.1.4.b. Information on the skills, experience and artistic success of the film producer and director;
- 3.1.4.c. Details and a list of technical capacity and equipment for film production;
- 3.1.4.d. Preliminary forecast of potential outcomes of the project, financial estimates, and expected outcomes of project implementation;
- 3.1.4.e. Documents and contracts concerning intellectual property and copyright.

3.1.5. An applicant requesting a soft loan shall submit the following documents:

- 3.1.5.a. Loan application, disbursement, and repayment schedule;
- 3.1.5.b. A copy of the State Registration Certificate of the legal entity, statement of the founder, and copy of the ID of the director and producer;
- 3.1.5.c. A copy of the State Registration Certificate of ownership and possession rights of the pledged immovable property and a statement of whether the immovable property is currently pledged;
- 3.1.5.d. If there is a consistent loan balance, a loan agreement and a certified statement of the credit account;
- 3.1.5.e. Certified financial statements for the last two years. In case it has been established within two years, certified financial statements covering the period from its establishment, or initial balance sheet if newly established;

3.1.5.f. Tax statement for the last two years;

3.1.6.g. A statement expressing consent to the dissemination of information about the project implementer through the mass media.

Four. Selection of a commercial bank eligible for on-lending

4.1 The member of the Cabinet in charge of cultural affairs shall approve the guidelines for the selection and supervision of the commercial bank eligible for on-lending, the composition of the working group, and its working procedure.

4.2. A commercial bank eligible for the on-lending scheme shall meet the following requirements:

4.2.1. A statement from the Bank of Mongolia confirming that the bank has been continuously fulfilling the prudential ratios set by the Bank of Mongolia for the last year;

4.2.2. It is fully responsible for the credit risk associated with the issued loan, and from its current account held at the Bank of Mongolia it has issued a guarantee for its on-lending contractual obligations;

4.2.3. The interest rate on soft loans to be issued in accordance with this Regulation shall be less than the weighted average interest rate of banks;

4.2.4. Has not violated the agreed general terms or contractual obligations of the cooperation agreement established with the Fund;

4.2.5. There shall be no overdue violations on credits issued through foreign loans, grants and budget disbursement;

4.2.6. Fulfill other requirements specified by the selection documents.

Five. Selection of a project eligible for a soft loan, contracting, and financing

4.1 The Council shall review the project within 45 days after receiving it and projects that fully meet the requirements and submit the necessary documents shall be reviewed by the meeting. The Council shall review the application, issue a conclusion and present it to the member of the Cabinet in charge of cultural affairs.

4.2. On the basis of a conclusion specified in Article 4.1 of this Regulation the member of the Cabinet in charge of cultural affairs shall approve the list of projects eligible for a soft loan, seal the decision, and deliver it to the bank that meets the criteria specified in Article 4 of this Regulation and selected by the borrower.

4.3 Soft loans to be issued from the Fund shall be transferred to a commercial bank that has concluded an on-lending agreement.

4.4 Within three working days upon the transfer of funds from the Fund, the commercial bank shall issue a loan to the project implementer.

Five. Borrowers' credit database and loan repayment

5.1 The Council shall record and maintain a credit database containing relevant information on borrowing citizens and legal entities.

5.2. The information specified in Article 6 of the Law on Credit Information shall be regularly submitted to the credit information database of the Bank of Mongolia.

5.3. In case of non-fulfillment of contractual obligations of the commercial bank and risks arising, an agreement to be established between the Council and the commercial bank shall regulate relations on the withdrawal of credit assets.

Six. Monitoring and reporting on loan disbursement

6.1. The Council shall exercise the below-mentioned rights and responsibilities in overseeing the expenditure of the Fund's assets, disbursement, and repayment of loans:

6.1.1. Operate within the scope of the approved budget, conclude contracts, ensure execution, and monitoring;

6.1.2. Take measures to ensure repayment of the loan, interest, and credit loss in accordance with the loan agreement concluded with the borrower and the repayment schedule;

6.1.3. Organize measures to transfer and use software and hardware and ensure monitoring;

6.1.4. Obtain quarterly reports on the progress and outcome of the project, financial or cash transactions, loan repayment reports, and statements of borrowing citizens and legal entities from commercial banks and borrowers;

6.1.5. Carry out the annual external audit the Fund's operations, revenue, and expenditure performances;

6.1.6. Develop ideas and support initiatives on rational uses and increases of the Fund's credit sources;

6.1.7. Review the implementation of the legislation and activities on the spot and submit proposals on necessary issues.

6.2 An audit opinion shall be issued on the Fund's expenditure report in accordance with the Law on State Audit.

6.3 Upon concluding a cooperation agreement with a commercial bank, the Council shall carefully regulate issues concerning the monitoring of loans issued through commercial banks and take measures accordingly.