



REGISTERING A FOREIGN INVESTED COMPANY IN MONGOLIA: AMENDED REGULATORY FRAMEWORK

The Parliament of Mongolia enacted the *Law of Mongolia on Investment* (“**Investment Law**”) on 3 October 2013. Furthermore, pursuant to the Investment Law, the Parliament of Mongolia approved the *Law of Mongolia on State Registration of Legal Entities* (the “**Legal Entities’ State Registration Law**”) on January 29, 2015. The Legal Entities’ State Registration Law came into effect on 1 March 2015.

Our firm below summarizes the main changes which have been introduced under the Legal Entities’ State Registration Law.

Roles and Responsibilities of the Legal Entities’ State Registration Authority of Mongolia (“Registration Authority”)

According to Article 9 of the Legal Entities’ State Registration Law, there are some notable rules have been introduced as part of the roles and responsibilities of the Registration Authority, which include, and among others:

- the State registration authority shall register new legal entities, restructured and dissolved legal entities in the state registry, therefore, it shall publicly announce the registration via electronic form;
- inform publicly any information in relation to the legal entities’ state registration or record other than information under the *Law of Mongolia on Secrecy of State Registration Authority*; and
- other than specified differently in the law, according to Article 13.1 of the Legal Entities’ State Registration Law, the State registration authority shall make a decision whether to register or not to register within 10 days for registration of foreign invested legal entity upon receiving all required documentations in complete form as detailed under Article 17.1-17.3 of the Legal Entities’ State Registration Law, therefore it shall publicly announce its decision thereof to an applicant in a written or in an electronic form.

Required Documentations

According to Article 17.1 and 17.2 of the Legal Entities’ State Registration Law, a foreign invested legal entity is required to prepare, and submit the following documents:

1. resolution or decision of an authorized body for setting up a foreign invested legal entity;
2. in the event of a foreign stated owned legal entity is a founder, as set forth under the Investment Law, an approval issued by the relevant authority;
3. Articles of Association of a foreign invested legal entity;
4. if two or more founders involved, a duly executed shareholders’ agreement;
5. personnel identification documents of founders, for further clarification, if a founder is an individual, passport, permanent residence card and Mongolian visa are required, however, if a founder is a corporation, the state registration certificate should be submitted;



6. if the investment is in cash, the bank statement proofing such invested amount has been duly transferred and placed from abroad, which is a country of origin; if the investment is movable property, the custom declaration is required; if the investment is made by intellectual property, certifying document issued by the relevant authority or organization of that country of origin;
7. official address of the foreign invested legal entity; and
8. bank statement which proves the state stamp duty fee has been duly paid.

The above mentioned documentations are required to be prepared in Mongolian language, and Mongolian translation must be accompanied with the materials which are in foreign language.

Submission of Documents and Registration of a Foreign Invested Legal Entity

The Legal Entities' State Registration Law sets out that the Registration shall not require additional materials other than determined under Article 17.1-17.3.

It is therefore permitted under the Legal Entities' State Registration Law that an applicant may submit an application along with the required documentations in electronic or hard version.

If the applicant submits the application along with the relevant documentations in an electronic form, it is deemed as registered in the state record when the legal entity's record number and the date of registration are noted on the first page of the shareholder's resolution and state registration number is given and stamp of the registrar is sealed on the remaining pages of the documents upon the State registration authority has reviewed the electronically submitted materials against the hard copies as set forth under Article 13.3 of the Legal Entities's State Registration Law.

Further, if the applicant delivers the application along with the relevant documentations in a hard form, it is deemed as registered in the state record when the legal entity's record number and the date of registration are noted on the first page of the shareholder's resolution and state registration number is given and stamp of the registrar is sealed on the remaining pages of the documents upon the State registration authority has registered the hard versions of documents in the State registration database.

Therefore, the Legal Entities' State Registration Law stipulates that the State registration authority is obliged to place the information in the state registration electronic database that electronic form of the state registration certificate with legal entity's record and the state registration number is allowed to print out by the applicant in proving the registration of the legal entity.

Sanctions In the Event of Violation

The sanctions, which have been lacked in previous regime, have been more clarified under the Legal Entities' State Registration Law. The sanctions are, among others, as follows:

- under Article 27.1, the State registrar shall be liable as set forth in the law for any breach in the event the registration has been recorded in violation of the law, the information



- other than treated as public has been disclosed, or the registration has been resisted without any legal ground; and
- under Article 27.2, the State registration authority shall be liable for remedy of any breach which has been caused by the State registrar's act of violation of law.

Further, the Legal Entities' State Registration Law provides that the State registration authority is entitled to brought a legal suit in the court for dissolving that of legal entity which has caused the breaches at more occasions or material breach. However, "material breach" is not determined under the Legal Entities' State Registration Law. In other hand, if the legal entity has not registered any changes which have been made in the documents that are kept in the database within the prescribed period under Article 11.3 of the Legal Entities' State Registration Law, or upon taking in account of severe of the breach, the judge or authorized state inspector shall impose fines in the amount equal to one to three times of a monthly minimum wage.

Mongolia has recently introduced certain important changes to its legal regime surrounding investment, therefore, one of those positive changes are definitely approval of the Legal Entities' State Registration Law. The purpose of adoption of this legislation is to provide transparent and one-spot registration procedures which would ease the current hurdles concerning the registration of legal entities in Mongolia. As such, since the Legal Entities Registration Law is in place, services of state registration can be acquired through electronic or written form. In addition, effecting the stamp duty fee in an electronic form displaces the current problems, such as preparation of many documentations and time consuming procedures, surrounding the registration of the legal entities.

Ashid Advocates LLP is one of prominent full service law firms in Mongolia. We do provide broad range of professional legal services in the area of Mongolian laws and practices. Therefore, our team at Ashid Advocates LLP will update our clients and guests regarding the latest changes in Mongolia legal regime.

If you would like us to provide more information in relation to above contents and legislation itself, please contact us at info@ashidadvocates.mn or at +976 70147878.

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