

DOING BUSINESS IN MONGOLIA COMPARATIVE GUIDE

1. LEGAL FRAMEWORK

1.1 Does your jurisdiction have a civil law system, a common law system, or a hybrid system?

The Mongolian law system was established on the basis of the 1992 Constitution and is a civil law system primarily based on the continental or Romano-Germanic tradition, although it retains some typical aspects of the Soviet legal system. The Civil Code of Mongolia is ostensibly modelled on the major continental European codifications – in particular, the German Civil Code.

In Mongolia, the source of law is written law and the courts apply laws only in settling cases or disputes. The main sources of law are:

- the Constitution;
- international treaties;
- parliamentary laws;
- other types of legislative acts; and
- interpretations (resolutions) of the Supreme Court.

The laws are codified and are enacted by the State Great *Khural* (Parliament). Legal provisions are typically contained in written statutes, and judges primarily apply and interpret these statutes when resolving legal disputes.

In Mongolia, precedent does not constitute an authenticated legal basis; previous cases are used only to interpret the law. The laws do not require courts to be bound by previous decisions. Judges may consider prior rulings when adjudicating on similar cases, but they are not obliged to respect legal precedent as such.

1.2 Which legislative and regulatory provisions primarily govern the establishment and operation of enterprises in your jurisdiction?

The establishment and operation of enterprises in Mongolia are primarily governed by the following legislative and regulatory provisions.

- Civil Code: The Civil Code is the primary statute governing legal entities. It regulates:
 - the general definition of a legal entity;
 - its legal capacity;
 - requirements for its name and resident address;
 - the establishment of legal entities and their branches or representative offices;

- reorganisation and liquidation; and
- types of legal entities.
- Law on State Registration of Legal Entities: The Law on State Registration of Legal Entities sets out the general framework for establishing and operating different types of legal entities in Mongolia. It includes provisions relating to:
 - the formation, registration, governance and dissolution of:
 - companies;
 - partnerships; and
 - other forms of business entities; and
 - documentation requirements for state registration.
- Company Law: The Company Law specifically governs the establishment and operation of companies, including:
 - joint stock companies; and
 - limited liability companies.

It outlines the requirements for:

- company formation;
- shareholder rights and responsibilities;
- corporate governance;
- share issuance;
- financial reporting; and
- other aspects of company operations.
- Investment Law: The Investment Law regulates foreign investment in Mongolia and provides guidelines for establishing foreign-invested enterprises. It covers areas such as:
 - minimum investment requirement;
 - investment approval procedures;
 - investment protection;
 - repatriation of profits; and
 - dispute resolution mechanisms.
- Labour Law: The Labour Law establishes the legal framework for employment relationships in Mongolia. It covers provisions relating to:
 - employment contracts;
 - working conditions;
 - wages;
 - benefits;
 - termination of employment; and
 - other labour-related matters.

Compliance with labour regulations is essential for businesses to operate in Mongolia.

- Tax laws and regulations: Tax laws and regulations govern various aspects of taxation, including:

- corporate income tax;
- personal income tax;
- value-added tax, customs duties and other taxes.

These laws specify:

- tax obligations;
 - reporting requirements; and
 - procedures for tax registration, filing tax returns and payment of taxes.
- Sector-specific regulations: Depending on the industry or sector in which an enterprise operates, additional regulations may be imposed by sector-specific authorities. For example, the mining sector is subject to specific regulations issued by the Mineral Resources and Petroleum Authority.

1.3 Which bodies are responsible for drafting and enforcing these provisions? What powers do they have?

According to Article 26.1 of the Constitution of Mongolia, the president, members of the State Great *Khural*, and the government exercise the right to enact legislation. Key bodies include the following:

President: The president is the head of state and the embodiment of the unity of the Mongolian people. The president has the following powers:

- to draft laws and complementary resolutions and submit to the speaker of the State Great *Khural*;
- to exercise the right to veto, either partially or wholly, against laws and other decisions adopted by the State Great *Khural*. Those laws or decisions will remain in force if two-thirds of the members of the State Great *Khural* present in the session do not accept the president's veto after discussion;
- to instruct the government on issues within his power. If the president issues a relevant decree, it will become effective upon signature by the prime minister;
- to appoint and recall heads of plenipotentiary missions to foreign countries in consultation with the State Great *Khural*;
- to grant pardons;
- to decide matters relating to the acquisition or loss of citizenship of Mongolia and to grant asylum;
- to declare general or partial conscription; and
- to declare a state of emergency or martial law in all or part of the national territory and order the deployment of armed forces.

Parliament (State Great *Khural*): The Parliament is responsible for passing laws and regulations in Mongolia and is the highest legislative body. Members of Parliament propose, discuss and vote on draft laws and regulations. Once Parliament has approved them, these laws are enacted and become part of the legal framework. The Parliament has the following powers:

- to enact laws and make addendums or amendments thereto;
- to determine the basis of the domestic and foreign policies of the state;
- to appoint, replace or remove the prime minister, members of the government and the composition of other organs/bodies directly responsible and accountable to the State Great *Khural* as provided for by law;
- to determine state finance, loan, tax and monetary policies, national economic and social development policies and principal directions; and to approve action programmes that have been developed in line with national security and development policies and the state budget, and report on their performance;
- to supervise the implementation of laws and other decisions of the State Great *Khural*;
- to determine the legal basis of the system, organisation and activities of local self-governing and administrative bodies/organs;
- to issue acts of amnesty;
- to ratify and denounce international treaties to which Mongolia is a party, and establish and sever diplomatic relations with foreign states upon the government's submission; and
- to hold national referendums.

Government: The government of Mongolia, headed by the prime minister, plays a crucial role in the implementation and enforcement of laws and regulations. The government is responsible for executing and administering the laws passed by Parliament. It formulates and adopts various regulations and administrative acts to implement specific provisions and ensure compliance. The government has the following powers:

- to organise and ensure nationwide implementation/enforcement of the Constitution and other laws;
- to work out a comprehensive/integrated policy on science and technology, guidelines for economic and social development, and the state budget, credit and fiscal plans, and submit them to the State Great *Khural*; and to enforce decisions taken in relation thereto;
- to elaborate and implement measures on sectoral, inter-sectoral and regional development matters;
- to undertake measures relating to the protection of the environment, and the rational use and restoration of natural wealth;
- to manage expediently the central state administrative bodies/organs/authorities and direct the activities of local administrative authorities;
- to take measures to protect human rights and freedoms, strengthen public order and prevent crime;
- to implement state foreign policy; and

- to conclude and implement international treaties to which Mongolia is a party in consultation with, and organise subsequent ratification by, the State Great *Khural*; and to conclude and abrogate intergovernmental treaties.

Both members of Parliament and the government are entitled to propose draft laws.

2. TYPES OF BUSINESS STRUCTURES

2.1 What are the main types of business structures in your jurisdiction and what are their key features?

Although Mongolian law provides for a wide range of legal forms of commercial entities, in practice, both private businesspeople and foreign investors mostly prefer foreign-invested limited liability companies (LLCs). Representative offices of foreign legal entities are also common.

	Limited liability company	Representative office	Joint stock company	Partnership
Definition	A company whose shareholders' capital is divided into shares; the right to dispose of such share capital is limited by law and the company charter.	A unit located in a place other than the principal place of business of the company that may undertake operations of its legal representative including to protect the legal interests of the company and conclude transactions on behalf of the company.	A legal entity which issues shares in order to raise capital for its activities.	A legal entity with assets which consist of members' contributions, and which is liable for its obligations with these assets and the personal property of its members, as provided by law.
Types of form	<ul style="list-style-type: none"> Foreign invested. Local. 	None	<ul style="list-style-type: none"> Open. Closed. 	<ul style="list-style-type: none"> Fully liable. Some members are fully liable. Limited liability.
Commercial activities	<ul style="list-style-type: none"> All rights as a legal entity. 	<ul style="list-style-type: none"> Has no rights as a legal entity. 	<ul style="list-style-type: none"> Has all rights as a legal entity. May conduct any commercial activities and 	

	<ul style="list-style-type: none"> • May conduct any commercial activities. • Receives operational income to its account. 	<ul style="list-style-type: none"> • May not conduct any commercial activities. 	receive operational income to its account.	
Eligibility for business licence	Allowed.	Not allowed.	Allowed.	
Supreme body	Shareholders' meeting.	An individual authorised by the parent company under a power of attorney.	Shareholders' meeting.	Members with the right to vote.
Governing body	Board of directors.		Board of directors.	
Authority of supreme and governing body	The shareholders' meeting has exclusive powers with respect to issues relating to business, finance, management and the structure of the company. If a board of directors exists, it may perform the overall management of a joint stock company.	A representative office operates according to its charter.	The shareholders' meeting decides on the highest-priority issues. The board of directors performs overall management of a joint stock company. Daily activities are managed by the executive body/director.	Each partner has equal rights and responsibilities. Partners are personally liable for the debts and obligations of the partnership.
Corporate income taxation	10%-25%	Not applicable.	10%-25%	10%-25%

An LLC is the most common form of a legal entity established by one or more individuals or legal entities, which are not liable for their obligations but bear the risk of losses related to the company's activity to the extent of their personal contributions (participatory interests). The liability of the company is limited to its assets.

Permanent establishment: Some foreign business entities operate in Mongolia on the basis of a contract to perform work or provide services without establishing a legal entity in Mongolia. However, depending on the type of work performed and the duration of the work, it may be necessary to register a permanent establishment with the tax authorities. As defined in the Law on Corporate Income Taxation, the characteristics of a permanent establishments might include the following:

- a place of management;
- branches and departments;
- units responsible for training, seminars and exhibitions;
- units responsible for warehousing, sales and services;
- mines, oil or gas wells, and mines or places where minerals are explored;
- a factory;
- units undertaking activities with regard to construction sites, buildings, assembly and installation facilities, and other related construction and supervisory works for a period of 90 days or more in the course of 12 consecutive months; and/or
- units providing technical, consulting, management, supervisory and other services to taxpayers residing in Mongolia, on their own or through hired employees, for a period of 183 days or more during the course of consecutive 12 months.

Units conducting the following activities in Mongolia on behalf of a taxpayer that does not reside in Mongolia will also be considered to constitute a permanent establishment:

- the storage, sale and supply of goods and products; or
- the conclusion of contracts in person or an arrangement for concluding contracts on behalf of a non-resident taxpayer without altering the main conditions of the contracts.

The contract should exhibit one of the following features:

- It is established in the name of a non-resident taxpayer; or
- It transfers assets which are owned, used or possessed by the non-resident taxpayer to others, or transfers the right to use and possession of such assets to others.

The term ‘permanent establishment’ as used in double tax treaties that been ratified by the State Great *Khural* is considered equivalent to the term ‘representative office’.

A non-resident taxpayer who is earning income generated from Mongolia will be deemed to have a permanent establishment in Mongolia from the date of commencement of the activity or conclusion of the contract, whichever is earlier

2.2 What capital requirements apply to these different types of business structures?

According to the Investment Law (2013), a ‘foreign-invested company’ is defined as “a business entity with an overall equity of US\$100,000 or more (or MNT equivalent), where not less than 25% must be owned by (a) foreign investor(s)”.

For other types of enterprises, such as representative offices or permanent establishments, there is no specific capital requirement; the payment of stamp duty of \$318 is the sole requirement for registration of a representative office of a foreign company.

Under the draft Investment Law, the capital requirement of \$100,000 for each foreign investor will be abolished. However, the draft law has not yet been approved.

2.3 What is the process for establishing these different types of business structures? What procedural and substantive requirements apply in this regard? What is the typical timeline for their establishment?

Procedures for establishing different types of business structures			
Corporate form	Company (limited liability company (LLC); joint stock company (JSC))	Partnership	Representative office
Obtaining name	The founder(s) or an authorised representative acting under a power of attorney obtain the company name from the State Registration Office.		Not required.
Account	The founder can open a current account for a new company with any commercial bank in Mongolia.		Not required at the registration stage.
Legal basis	Founding meeting resolution/founding decision, shareholders' agreement.	Partnership agreement; resolution of the members' meeting	Decision of the founding company.
Investment requirement	\$100,000 (per foreign shareholder).	None.	None.
Limitation of member	LLC: Fewer than 50 shareholders. JSC: At least two shareholders; the board of directors consists of at least nine members.	At least two members	None
Required founding documents	<ul style="list-style-type: none"> Decision of the founding meeting. Articles of association signed by the founders as an appendix to the resolution of the founding meeting. Company registration application. 	<ul style="list-style-type: none"> Decision of the founding meeting on establishing the partnership; the partnership's activities; the address/place of residence of the partnership; total assets; and 	<ul style="list-style-type: none"> If the founder is a foreign legal entity, a copy of the state registration certificate and charter. The signed resolution of the authorised

	<ul style="list-style-type: none"> • Identification documents of the founders or shareholders (copy). • Proof of address (real estate certificate/copy/lease agreement). • Bank remittance receipt/start-up investment threshold (\$100,000 per foreign investor). • Depending on the nature of the business activities, additional permits or licences as required. • Two signed copies of the articles of association. • Forms UB-03 (for registration of the company) and UB-07 (for a stamp control number). • Form UB-12 form (for ultimate beneficial owner (UBO) information). • Name confirmation sheet. • Receipt of state stamp duty payment. • Power of attorney if required. 	<p>approval of the partnership agreement; election of the persons authorised to manage the partnership.</p> <ul style="list-style-type: none"> • The minutes of the founding meeting, attached as an annex. • Two copies of the incorporation agreement. • Proof of capital (bank account statements for cash, inventory list with value of properties). • Proof of address (eg, real estate certificate/copy/lease agreement). • In the case of a limited liability partnership, a copy of the professional activity permits of members. • Forms UB-03 (for registration of the company) and UB-07 (for stamp control number). • Form UB-12 (for UBO information). • A name confirmation sheet. 	<p>founder on establishing the representative office, the appointment of management, address, the and the operating procedure.</p> <ul style="list-style-type: none"> • The bylaws of the representative office. • A copy of the identification documents of the founders or shareholders (copy). • Proof of address (real estate certificate/copy/lease agreement). • Forms UB-04 (for registration of the company) and UB-07 (for stamp control number). • Power of attorney if required.
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		<ul style="list-style-type: none"> • Receipt of state stamp duty payment. 	
State registration	The relevant documents should be submitted for registration in the State Register within 30 days of the date of name confirmation and within 15 business days of the decision to establish the company.	The relevant documents should be submitted for registration in the State Register within 30 days of the date of name confirmation and within 15 business days of conclusion of the partnership agreement.	The state registration certificate of the representative office is granted for a term of one to two years. Prior to the expiry date of the state registration certificate, the representative office must apply for an extension of the state registration certificate term.
Cost of registration fee	<ul style="list-style-type: none"> • Name verification: MNT 10,000. • Issuing a stamp and seal control number: MNT 10,000. 		Issuing a stamp and seal control number: MNT 10,000.
Stamp duty	MNT 750,000 for the registration of a foreign invested company.	MNT 44,000.	MNT 1.1 million for the representative of a foreign company.
Obtaining the seal	The original copy of the company state registration certificate is required to order the company seal. This is the final step in company incorporation.		
Duration of the process	<ul style="list-style-type: none"> • LLC: 4-6 weeks. • JSC: 4-8 weeks. 	4-6 weeks.	4-6 weeks.
Registration period	<ul style="list-style-type: none"> • Five business days for foreign-invested companies and representative office. • Two business days for other entities. 		

2.4 What requirements and restrictions apply to foreign players that wish to establish a business directly in your jurisdiction?

Foreign players in Mongolia are subject to certain requirements and restrictions. Key points to consider include the following:

- Foreign entities must register their business with the State Registration Office in form of an LLC or representative office. This involves submitting the necessary documents and information to the relevant authorities. In order to register the company, each foreign investor must invest \$100,000 in the registered capital of the company.
- Where a foreign state-owned legal entity acquires 33% or more of the total shares issued by a Mongolian legal entity which operates in the mining, banking, finance or media and telecommunications sectors, the foreign legal entity must obtain permission from the Mongolian government prior to the acquisition.
- Depending on the relevant business and sector, foreign investors may be required to obtain permits from regulatory bodies. For example, pursuant to the Law on Permits,
 - a foreign invested companies must obtain a permit to:
 - build a kindergarten or school; or
 - conduct accreditation of educational institutions in Mongolia; and
 - a foreign insurer must obtain a permit to open a branch or representative office in Mongolia and conduct insurance activities.

2.5 What other opportunities are there to do business in your jurisdiction aside from establishing an enterprise (eg, agency, resale); and what requirements and restrictions apply in this regard?

Aside from establishing an enterprise, there are several other opportunities to do business in Mongolia, including through the following models:

- Franchising: Foreign companies can expand their presence in Mongolia by offering franchise opportunities to local entrepreneurs.
- Licensing and distribution: Foreign companies can license their intellectual property, such as trademarks or patents, to Mongolian entities for manufacturing, distribution or sales purposes.

Specific requirements include the following:

Franchise	Licensing and distribution
<ul style="list-style-type: none"> • Compliance: Franchising activities are regulated by the Civil Code. Compliance with this law is essential, including in relation to issues such as the main terms and conditions, and requirements for the acceptable form and duration of the agreement. • Franchise agreement: A written franchise agreement must be in place between the franchisor and the 	<ul style="list-style-type: none"> • Licensing agreements should clearly define the terms, royalty payments, quality control measures and any exclusivity or territorial restrictions. • Licensing procedures: Depending on the sector, specific licences or permits may be needed, such as import/export licences or licences for specific product categories. • Registration: Licensing agreements and related documents may need to be

<p>franchisee, outlining the rights and obligations of both parties.</p> <ul style="list-style-type: none"> • Registration: Franchise agreements and related documents may need to be registered with the Intellectual Property Organisation of Mongolia or other relevant authorities. 	<p>registered with the Intellectual Property Organisation of Mongolia or other relevant authorities.</p>
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There are no specific requirements or restrictions for franchising and licensing, unless a permit is required due to the relevant business operations and sector.

3. DIRECTORS AND MANAGEMENT

3.1 How is management typically organized in the different types of business structures in your jurisdiction?

In Mongolia, the management structure of different types of businesses can vary, as follows.

Limited liability company (LLC): The establishment of a board of directors is optional for LLCs in Mongolia, except for companies that:

- have issued securities through securities trading organisations; or
- provide insurance, trust or investment management services.

Executive management is implemented either by a team or by a chief executive officer (CEO). The company's articles of association or the founders' or shareholders' agreement outline the roles, responsibilities and competences of the board of directors or executive director. The powers of the executive management are determined by an agreement of the board of directors or the shareholder/shareholders' meeting, as appropriate.

The shareholders of an LLC have the right to:

- participate in general meetings;
- exercise their voting rights; and
- appoint and remove board members and executive management (in the absence of a board of directors).

Day-to-day management responsibilities are generally entrusted to the directors or managers.

Joint stock company (JSC): A JSC in Mongolia must have a board of directors with at least nine members. The board of directors is responsible for:

- making strategic decisions;
- overseeing executive officers; and
- representing the shareholders' interests.

The executive management team or the CEO is responsible for the company's daily operations.

The shareholders of a JSC have the right to:

- participate in general meetings; and
- vote on the appointment and removal of members of the board of directors.

Executive management is undertaken by the board of directors.

Partnership: A partnership in Mongolia can be established in the following forms:

- **General partnership:** In a general partnership, two or more partners share ownership and management responsibilities. The partners have equal management authority and share the profits, losses and liabilities of the business. The partners typically make joint decisions and contribute to the day-to-day management. Each member is entitled to manage and represent the partnership unless otherwise specified in the partnership agreement. Members who are authorised to manage the company will decide on issues by majority vote and bear joint responsibility arising therefrom. Other members are entitled to monitor their activities and release them from their duties in the case of failure to perform their duties properly.
- **Limited partnership:** A limited partnership in Mongolia consists of general partners and limited partners. Limited partners have limited involvement in management and liability, which is generally limited to their investment. General partners are entitled to manage and represent the partnership.
- **Limited liability partnership (LLP):** All partners have limited liabilities. The supreme body of the LLP is the members' meeting, at which the issue of whether to have executive management is decided. A defaulting member must fully compensate any damages caused to the partnership both with his or her capital contribution and with his or her personal property.

Representative office: A chief representative is appointed by the founding foreign company and serves as the head of the representative office. He or she is responsible for:

- overseeing the representative office's operations;
- coordinating with relevant authorities within his or her competence;
- maintaining communication with the parent company; and
- ensuring compliance with local laws and regulations.

The representative office of the foreign company may employ local staff members to support its operations. These staff members may:

- assist with administrative tasks;
- communicate with local partners;
- conduct market research; and
- undertake other functions as required.

Permanent establishment: A permanent establishment has broader business operations and may engage in profit-generating activities upon registration as a taxpayer with the respective tax authorities. In order for the permanent establishment to be registered as a taxpayer, someone to manage its operations must be appointed.

3.2 Is the establishment of specialist committees recommended or mandated for certain types of enterprises? If so, which areas should they cover?

The establishment of specialist committees, such as board committees, is not explicitly mandated for all types of enterprises. However, there are corporate governance recommendations and best practices that encourage the formation of committees in order to enhance the effectiveness of the board of directors. According to Articles 75.1 and 75.2 of the Company Law, the board of directors is the governing body of the company between shareholders' meetings. A public company must have a board of directors; while a limited liability company (except for securities issuers and insurance, trust and investment management service providers) may choose to not have a board of directors unless otherwise provided in its charter. Moreover, if it deems necessary, the board of directors may establish a standing and temporary committee to handle a particular matter.

The board of directors of a joint stock company must have audit, remuneration and nomination committees, at least two-thirds of which must comprise independent members of the board of directors, in accordance with Articles 81.1 and 81.2 of the Company Law.

3.3 Is the appointment of corporate directors permitted in your jurisdiction?

In Mongolia, the requirements and restrictions for the appointment of directors are primarily governed by the Company Law and the Corporate Governance Codex (if applicable). The specific requirements – such as the number of directors, their residence, independence and diversity – may vary depending on the type of company (eg, public or private) and the applicable regulations. General considerations include the following:

- **Number of directors:** Generally, private companies have the flexibility to determine the appropriate number of directors based on their needs and governance structure; the only restriction is that the number of directors should be odd. Private companies commonly have a minimum of three directors. The boards of directors of public (listed) companies and state-owned companies must consist of at least nine members.
- **Residence:** There are no specific residence requirements for directors in Mongolia. Directors can be either Mongolian residents or foreign nationals. However, companies must comply with any applicable immigration laws and regulations on the employment of foreign directors. A work permit and residence permit must be obtained by the employer.
- **Independence:** The concept of independent directors is recognised in Mongolia, particularly for publicly listed companies. Independent directors are those who have no material relationships with the company, its affiliates or its major shareholders that could compromise their impartiality. The Company Law stipulates requirements for independent directors. Furthermore, the Corporate Governance Codex provides guidance on the independence of directors for listed companies.
- **Diversity:** While there are no specific legal requirements regarding board diversity in Mongolia, the Corporate Governance Codex encourages companies – particularly

publicly listed ones – to promote diversity, including gender diversity, in their boards. The Codex recommends that companies:

- have a policy on diversity; and
- consider factors such as gender, experience and skills when appointing directors.
- Other requirements: Board members and secretary must be trained in corporate governance. The chairman of the board cannot be the CEO.

3.4 How are directors selected, appointed, and removed? Do any restrictions or recommendations apply to their tenure?

The selection, appointment and removal of directors are governed by:

- the Company Law;
- the articles of association of the respective company; and
- the Corporate Governance Codex (if applicable).

Appointment and removal: Board members are appointed by the shareholders. According to Article 77.1 of the Company Law, the shareholders typically exercise their voting rights during the general meeting to elect the members of the board of directors. The board of directors or shareholders' meeting appoints the executive director. The articles of association of the company may outline specific procedures and criteria for the selection and appointment of directors. These may include:

- qualifications;
- term limits; and
- other requirements.

Unless otherwise provided in the company charter, the authority of members of the board of directors expires on the date of the annual shareholders' meeting of the following year. Members of the board of directors may be re-elected at any such meeting.

Members of the board of directors of a joint stock company are elected by cumulative voting. Votes for regular and independent members of the board of directors are counted separately.

Unless otherwise specified in the articles of association, the board of directors (or, in its absence, the executive management) appoints the managers of its branches and representative offices. The executives act on the basis of a power of attorney from the company.

The board of directors comprises members and independent members. Independent member must meet the following requirements:

- They must not own 5% or more of the common shares of the company, either alone or in conjunction with a related party;
- They or a related party must not:
 - hold an official position in the company or in other companies in a group of which that the company is part; or
 - have held a job position in such a company the last three years;

- They must not be a servant in a public service office other than a public support service office;
- They must not be involved in the company's business in any way; and
- They must satisfy any other requirements set by law or the company charter.

There are certain qualifications or eligibility criteria for individuals to serve as directors. For example, they must:

- be of legal age (18);
- not be disqualified for legal reasons; and
- possess the necessary skills and experience.

Tenure: Directors' tenure can vary based on the articles of association and shareholders' decisions. There may be recommendations or best practices suggesting the periodic reappointment or rotation of directors to ensure fresh perspectives and accountability. Directors can be removed by shareholders by resolution of the general meeting. The specific procedures for removal may be outlined in the articles of association.

3.5 What are the directors' primary roles and responsibilities, and how are these exercised?

According to the Company Law, the board of directors has the following roles, except where they have been reserved to the shareholders' meeting:

- to determine the principal business activities of the company;
- to call and hold annual and extraordinary shareholders' meeting;
- to resolve issues regarding:
 - the agenda for the shareholders' meeting;
 - the recorded date for determining which shareholders are entitled to participate in such meetings; and
 - other matters with respect to the holding of such meetings;
- to issue shares within the limits of the company's authorised but unissued shares;
- to issue securities related to common shares and other securities as specified in the company charter;
- to acquire or buy back the company's issued shares and other securities;
- to select and change the company's executive management, and determine:
 - their powers;
 - agreement terms and conditions;
 - their remuneration; and
 - their liabilities;
- to select an auditor and determine the respective agreement terms and conditions;
- to issue an opinion on the annual report and financial statement of the company, and present it to the shareholders meeting for approval;

- unless otherwise specified in the charter, to determine the amount of dividends and the procedure for their payment;
- to establish branches and representative offices; and
- to approve major transactions and those involving a conflict of interest.

The primary roles of the executive director (or CEO) are as follows:

- to exercise his or her powers as specified:
 - by law and regulation;
 - in the articles of association; and
 - in agreement concluded with the board of directors (or, in its absence, the shareholders' meeting); and
- to respect the interests of the company in pursuing its activities.

According to the Accounting Law, the executive director is responsible for overseeing the company's financial affairs, including:

- reviewing financial statements;
- approving budgets; and
- monitoring financial performance.

He or she may also be involved in major financial decisions, such as:

- capital expenditures;
- investments; and
- financing.

The board of directors exercises its roles and responsibilities by:

- participating in board meetings and committees;
- engaging in discussions;
- providing input; and
- making informed decisions.

The specific processes and practices for exercising these responsibilities may vary depending on the size, structure and governance framework of the company.

3.6 Are the roles of individual directors restricted? Is this common in practice?

The roles and responsibilities of directors are typically governed by the Company Law and the Corporate Governance Codex, which provide a framework for corporate governance. The law does not generally restrict the roles of individual directors, but it outlines their obligations and the standards of conduct expected from them.

In practice, the level of restriction on individual directors may vary depending on factors such as:

- the size and type of organisation;
- the corporate governance structure in place; and

- any specific provisions in the articles of association.

Larger companies often have more complex governance structures with various board committees and executive roles, which can result in more specialised responsibilities for individual directors.

3.7 What are the legal duties of individual directors? To whom are these duties owed?

These duties are typically outlined in the Company Law and other relevant legal provisions. The key legal duties of individual directors in Mongolia include the following:

- execute their powers within the scope of their authority as specified:
 - by law and regulation; and
 - in the company's charter;
- respect the interests of the company in pursuing its activities;
- make decisions in compliance with the interest of a company;
- avoid conflicts of interest when making decisions and notify any conflicts of interest where they arise;
- not accept any gifts or remuneration when implementing their duties/functions; and
- not disclose confidential company information to others or use such information for the purpose of their personal interests.

The duties of individual directors are owed primarily to the company itself, as well as the shareholders. Directors also have a duty to act in the best interests of the shareholders as a collective body.

3.8 To what civil and criminal liabilities are individual directors primarily potentially subject?

Individual directors can potentially be subject to both civil and criminal liabilities based on their actions or omissions in the course of their duties. The specific liabilities may vary depending on the nature and severity of the misconduct. The primary civil and criminal liabilities that individual directors can potentially face are as follows:

- Civil liability (Articles 84.6, 85 and 93 of the Company Law):
 - Directors owe fiduciary duties to the company and its shareholders. If they breach these duties by acting in bad faith, with negligence or for personal gain, they can be held liable for damages caused to the company or its shareholders.
 - Directors can be held liable for losses or damages resulting from their negligent acts or failure to exercise due care, skill and diligence in performing their duties.
 - Directors who engage in mismanagement, fraudulent activities, self-dealing or misuse of company assets can be held personally liable for any damage suffered by the company or its stakeholders as a result.

- Directors may face liability if they fail to comply with corporate governance requirements, including financial reporting obligations, disclosure requirements or other regulatory obligations.
- Criminal liability:
 - Fraud or embezzlement: Directors who engage in fraudulent activities, embezzlement of company funds or misappropriation of assets can be subject to criminal charges, which can result in fines and imprisonment.
 - Money laundering or corruption: Directors involved in money laundering activities, bribery, corruption or other financial crimes can face criminal charges and penalties.
 - Conducting other criminal acts: Directors can also be subject to criminal liability for violations of other laws, such as:
 - tax evasion;
 - environmental offences;
 - occupational health and safety violations; or
 - breaches of other applicable laws.

4. SHAREHOLDERS

4.1 What requirements and restrictions apply to shareholders/members in your jurisdiction, in terms of factors such as age, bankruptcy status etc?

In accordance with Article 3.3 of the Company Law, the rights of shareholders are defined by the Company Law and by the articles of association. The fundamental rights of a shareholder are:

- to receive dividends;
- to participate in shareholders' meetings;
- to vote on issues discussed at such meetings; and
- following liquidation of the company, to receive its share of the proceeds from the sale of assets of the company that remain after satisfaction of the claims of creditors.

Shareholders have several mechanisms through which they can exercise their rights and influence the decision-making processes of a company, including the following:

- Shareholders have the right to attend and vote at general meetings of the company.
- Shareholders have the right to vote on important matters affecting the company. Each share typically carries one vote, although this may vary based on the articles of association.
- Shareholders have the right to access certain information about the company, including:
 - financial statements;

- annual reports; and
- minutes of shareholders' meetings.
- In order to protect minority shareholders, certain rights and safeguards are often provided by law. These may include:
 - the right to dissent;
 - appraisal rights; and
 - the ability to bring legal actions against the company or its directors for oppressive or unfair conduct.
- Shareholders can engage with the company's management and the board of directors through various means, such as:
 - written communications;
 - attendance at investor conferences; and
 - participation in calls.
- Shareholders are entitled to a pre-emptive right to purchase the company's shares and related securities that are additionally issued or offered by other shareholders (in the case of a limited liability company).
- Shareholders are entitled to the right to demand the buyback of their shares in the case of voting against or non-participation in votes on issues such as:
 - amendments to the company charter that would prejudice their interests;
 - reorganisation of the company; and
 - the approval of major transactions.

For instance, in case of amendments to the articles of association, draft revisions of the articles of association will be discussed at the shareholders' meeting and approved by majority vote of the voting shareholders attending the meeting as stipulated by Article 17.1 of the Company Law. According to Article 59 of the Company Law, if a company has only one shareholder, that shareholder will exercise the authority of the shareholders' meeting. A shareholders' meeting may be either annual or extraordinary. The annual shareholders' meeting is called by the board of directors (or, in its absence, the executive body) and must be held within four months of the end of each fiscal year of a company.

4.2 How do shareholders/members exercise these rights? Do they have a right to call shareholders' meetings and, if so, in what circumstances?

Shareholders holding 10% or more of the voting rights are entitled to call an extraordinary shareholders' meeting. Further, in the case of damages caused to the company by authorised officers, as well as a failure to comply with legal obligations under the Company Law, shareholders that hold 1% or more of the company's shares may file a claim in court for compensation.

4.3 What influence can shareholders/members exert on the appointment and operations of the directors?

The shareholders can exert influence on the appointment and operations of directors in several ways. The specific extent of shareholder influence can vary depending on factors such as:

- the company's ownership structure; and
- governing documents.

Common ways in which shareholders can exert their influence include the following:

- **Voting rights:** Shareholders have the right to vote during at general shareholders' meetings. They can exercise their voting power to elect directors and approve their appointment or removal. Shareholders can support or oppose specific director candidates based on their preferences and concerns.
- **Shareholder resolutions:** Shareholders can propose resolutions to be discussed and voted upon during general meetings. These can pertain to:
 - the appointment or removal of directors;
 - the amendment of corporate bylaws; or
 - other matters relating to the board's operations.

Shareholders can actively participate in these discussions and influence decision making.

- **Proxy voting:** Shareholders can appoint proxies to attend general meetings and vote on their behalf. By providing instructions to their proxies, shareholders can influence director appointments and other important matters even if they cannot attend the meeting in person.
- **Shareholders' agreements:** Shareholders can enter into agreements among themselves that outline specific provisions regarding the appointment and operations of directors. These agreements can establish mechanisms for shareholder influence, such as:
 - nomination rights;
 - approval thresholds; or
 - consent requirements.
- **Communication and engagement:** Shareholders can engage in direct communication with the board of directors to express their opinions, concerns or recommendations. Annual shareholders' meetings, at which shareholders can interact with directors and management, provide opportunities for engagement and influence.
- **Legal remedies:** Shareholders have the option to seek legal remedies if they believe that the directors have engaged in misconduct, breached their fiduciary duties or acted unlawfully. Legal actions can lead to changes in the board's composition or operations, influencing the appointment and decision-making processes.

4.4 What are the legal duties/responsibilities and potential liabilities, if any, of shareholders/members?

The shareholders have certain rights and responsibilities, but their legal duties and potential liabilities are generally limited compared to the duties and liabilities of directors. Key issues regarding the legal duties/responsibilities and potential liabilities of shareholders include the following:

- In most cases, shareholders' liabilities are limited to the extent of their investment in the company. This means that shareholders are generally not personally liable for the debts or obligations of the company beyond their capital contribution.
- Shareholders can be subject to liability if they breach the terms and conditions specified in any agreements that they have entered into with other shareholders. Breach of the obligations outlined in such agreements may have contractual consequences.
- Shareholders may face liability if they abuse their rights or engage in actions that harm the company or other shareholders. For example, intentionally obstructing the company's operations, engaging in fraudulent activities or using insider information for personal gain may have legal consequences.

4.5 To what civil and criminal liabilities might individual shareholders/members be subject?

Individual shareholders are generally not subject to significant civil or criminal liability based solely on their status as shareholders. The liability of shareholders is typically limited to their investment in the company and their personal assets are not at risk beyond the extent of their capital contribution. If the assets and asset rights contributed to a company by a shareholder cannot be distinguished from their personal assets and asset rights, the shareholder will be liable for the company's liabilities to the extent of all of its assets and asset rights concurrently. However, shareholders can potentially face civil or criminal liability in certain circumstances, including the following:

- Breach of shareholders' agreements: If shareholders have entered into agreements among themselves and violate the terms and conditions of such agreements, they may face civil liability for breaching their contractual obligations.
- Fraud or misrepresentation: Shareholders can be held liable if they engage in fraudulent activities or provide false or misleading information that causes harm to the company or other stakeholders.
- Insider trading: Shareholders that engage in insider trading – which involves trading company securities based on non-public, material information – can face criminal charges and penalties under the relevant laws.

- Money laundering or corruption: Shareholders involved in money laundering activities, bribery, corruption or other financial crimes may be subject to criminal charges and other legal consequences.
- Illegal activities or non-compliance: If shareholders are directly involved in illegal activities conducted by the company or knowingly support non-compliance with applicable laws and regulations, they may face civil and criminal liability.

4.6 Are there rules governing the issuance of further securities in a company? Do rights of pre-emption exist and, if so, how do they operate? Can they be circumvented? If so, how and to what extent?

The issuance of securities by a company is regulated by the Law on the Securities Market, which provides the framework for the issuance, offering and trading of securities. The Law on the Securities Market does not explicitly address the concept of pre-emption rights (also known as rights of first refusal) for existing shareholders in a company. However, the Company Law stipulates that: “If securities convertible into shares are issued, holders of common shares shall have a pre-emptive right to acquire any convertible securities in proportion to the number of common shares held by such holders.”

The shareholders of a public company have a pre-emptive right to purchase additional shares, and securities related to such shares, proposed to be issued by the company. Unless otherwise provided in the articles of association, the holders of common shares in a limited liability company have a pre-emptive right to purchase other securities relating to shares issued by a company in accordance with other procedures specified in the Company Law.

A holder of common shares must notify its decision to purchase additional shares that it is entitled to purchase pursuant to the exercise of its pre-emptive right within 30 business days of the adoption of the decision by the shareholders meeting to issue the additional shares. The pre-emptive purchase price for the shares must be at least 90% of the market price at the time the shares are issued.

Companies in Mongolia may include such provisions in their articles of association or shareholders’ agreements. These documents can establish the rights and restrictions related to the issuance or transfer of shares, including any pre-emption rights that may be granted to existing shareholders. It is recommended that the specific provisions outlined in the articles of association and shareholders’ agreements be reviewed to determine the scope of application of any pre-emption rights.

4.7 Are there any rules on the public disclosure of levels of shareholding and/or stake building?

Shareholders that acquire or dispose of more than one-third of the common shares of a joint stock company must typically disclose their holdings to the Financial Regulatory Commission (FRC) within 10 business days of the date of such acquisition. The statement will be received by the company and the FRC and published on its website.

The ultimate beneficial owner of a legal entity and information about the ultimate beneficial owner are open to the public.

5. OPERATIONS

5.1 What are the main routes for obtaining working capital in your jurisdiction? What are the advantages and disadvantages of each?

There are several routes for obtaining working capital, as follows:

- Bank loans:
 - Advantages: Bank loans are a traditional and widely used source of working capital. They provide a lump-sum amount that can be used to meet short-term operational needs. Banks may offer competitive interest rates and flexible repayment terms.
 - Disadvantages: The loan approval process may involve extensive documentation, collateral requirements and a thorough evaluation of the borrower's creditworthiness. Meeting these requirements can be time consuming and there is a risk of rejection if the borrower does not meet the bank's criteria.
- Trade credit:
 - Advantages: Trade credit allows businesses to obtain goods or services from suppliers with delayed payment terms. This can provide immediate access to working capital without incurring interest charges or the need for collateral.
 - Disadvantages: Trade credit terms are determined by the supplier and may vary based on the business relationship and creditworthiness. Late payments or strained relationships with suppliers could negatively impact future opportunities for trade credit.
- Invoice financing:
 - Advantages: Invoice financing involves selling outstanding invoices to a financial institution or factoring company to receive an immediate cash advance. It can provide quick access to working capital based on unpaid invoices.
 - Disadvantages: The financing company charges a fee or discount on the value of the invoices, reducing the overall amount received. The business loses control over the collection process, as the financing company assumes responsibility for collecting payment from customers.
- Equity financing
 - Advantages: Equity financing involves raising capital by selling shares or ownership stakes in the company. It can provide a substantial amount of working capital without incurring debt or interest payments. Investors may also bring expertise and networks that can benefit the business.
 - Disadvantages: Equity financing involves diluting ownership and control of the business. Investors become shareholders with rights and influence over

company decisions. Additionally, finding suitable investors and negotiating terms can be challenging.

- Government grants and subsidies:
 - Advantages: The government may provide grants or subsidies to support specific industries or initiatives. These funds can offer working capital assistance without the need for repayment or interest.
 - Disadvantages: Government grants and subsidies may have specific eligibility criteria, and the application process can be competitive and time consuming. The availability of such funding may also be limited to certain sectors or projects.

5.2 What are the main routes for the return of proceeds in your jurisdiction? What are the advantages and disadvantages of each?

- Dividends: Profits can be repatriated by distributing dividends to shareholders. Dividends can be declared and paid out based on the company’s financial performance and in compliance with the relevant laws and regulations.
- Royalties and licensing fees: A business that involves IP rights, technology transfer or licensing agreements can receive royalties or licensing fees from Mongolian business partners. These payments can be repatriated based on the terms of the agreements and any applicable regulations.
- Repayment of loans: Where loans or financing has been provided to a Mongolian company, the repayment of principal and interest can be a way to repatriate funds. This is subject to the terms and conditions of the loan agreements and any applicable regulations.
- Capital repatriation: Where a business in Mongolia is wound up or liquidated, the capital invested in the company can be repatriated. This typically involves:
 - following the legal procedures for the liquidation process; and
 - complying with any relevant requirements.

	Advantages	Disadvantages
Dividends	<ul style="list-style-type: none"> • Straightforward method of distributing profits to shareholders. • Can be a regular and predictable way of repatriating funds. • Allows for the distribution of profits in proportion to ownership shares. 	<ul style="list-style-type: none"> • Tax implications: dividends are typically taxable income for shareholders. • During periods of low profitability or losses, the company may be unable to sustain dividend payments, leading to disappointment among shareholders.

Royalties and licensing fees	<ul style="list-style-type: none"> • Can be a lucrative source of income for IP owners. • Provides an ongoing revenue stream without direct involvement in operations. • Can leverage the intellectual property or technology for profit generation in Mongolia. 	<ul style="list-style-type: none"> • May be subject to taxation in Mongolia and potentially the recipient's home country. • Careful management of licensing agreements is needed to ensure compliance and avoid disputes.
Repayment of loans	<ul style="list-style-type: none"> • Allows for the return of invested capital plus interest. • Provides a secure method of repatriating funds, particularly if loans are secured. • Repayment terms and schedules can be negotiated as part of the loan agreements. 	<ul style="list-style-type: none"> • Repayment of loans may be subject to foreign exchange regulations and capital controls. • Requires proper documentation and compliance with loan agreements. • Interest income may be subject to taxation in Mongolia and potentially the recipient's home country.
Capital repatriation	<ul style="list-style-type: none"> • Enables the complete repatriation of invested capital. • Suitable for winding up or liquidating a business in Mongolia. • Provides closure and finalisation of the investment. 	<ul style="list-style-type: none"> • The liquidation process can be time consuming and complex. • Liquidation expenses, such as legal and administrative costs, may reduce the amount repatriated. • Requires adherence to legal procedures and compliance with applicable regulations.

5.3 What requirements and restrictions apply to foreign direct investment in your jurisdiction?

Foreign investors must conduct activities upon registration in accordance with:

- the Company Law;
- the Law on State Registration of Legal Entities; and
- other relevant legislation.

Foreign investment can be made in the following ways:

- by establishing a solely or jointly owned business entity. According to the law, a ‘foreign invested company’ is defined as “a business entity with an overall equity of USD 100,000 or more (or MNT equivalent), where not less than 25% must be owned by foreign investors”;
- through the purchase of a Mongolian company’s shares, bonds and other types of securities;
- by merging or wholly acquiring Mongolian and foreign companies;
- by entering into a concession, production sharing, marketing and management or other contract;
- through the establishment of franchise or financial leasing agreement; and
- in other ways that are regarded as acceptable and are not prohibited by law.

Investors may invest in all sectors, industries and services except as otherwise prohibited by Mongolian law.

Some common requirements and restrictions apply to foreign direct investment (FDI) in Mongolia. Foreign state-owned entity invested FDI projects (mining, banking, media and telecommunications) often require permission from the government. The process for obtaining permission typically involves submitting an investment proposal outlining:

- the nature of the investment;
- its economic impact; and
- other relevant details.

Permission is requested from the state central administrative body in charge of investment directly or through a representative office and authorised representative in Mongolia. The following documents must be enclosed with the application:

- a notarised copy of the applicant’s incorporation certification issued by the competent authority of the applicant’s home country;
- references from the registration authority concerning the applicant, its common interested persons and its executive management covering the last two years;
- details of the preliminary transaction between a foreign state-owned entity and a Mongolian entity, including:
 - the type and conditions of the transaction;
 - the parties to the transaction;
 - the shares to be sold in percentage and number;
 - the contract price;
 - the charter of the legal entity; and
 - if there is an agreement on changing the management, information in relation thereto;
- financial statements and clarifications to financial statements of the foreign state-owned legal entity and the Mongolian business entity; and

- the investment plan and business project to be implemented by the applicant in Mongolia.

The requirements for investors are as follows:

- Their activities and the nature of their investments must not threaten the national security of Mongolia;
- They must adhere to the laws and established business norms of Mongolia;
- The investment should not restrict competition in the relevant sector or create dominance in the sector; and
- The investment should not have a serious and adverse impact on the budget revenue or activities of Mongolia.

5.4 What exchange control requirements apply in your jurisdiction?

Exchange control is regulated under the Law on Currency Control. The government, the Bank of Mongolia and the Financial Regulatory Commission control currency transactions of business entities and organisations in Mongolia in accordance with their respective powers.

In accordance with the Law on Currency Control, permanent residents who is a participant in currency settlements is:

- an individual who permanently resides in Mongolia or who resides permanently in Mongolia but travels abroad for no more than 183 days a year;
- a legal entity established in accordance with the laws of Mongolia and located in Mongolia, its branches and representative offices in foreign countries; and
- a Mongolian diplomatic mission in a foreign country.

A temporary resident who is a participant in currency settlement is:

- an individual who permanently resides outside of Mongolia and who are resident in Mongolia for not more than 183 days a year;
- a business entity incorporated in accordance with the law of a foreign country and that is not located in Mongolia; and
- a foreign diplomatic mission or international organisation, and its branches or representatives offices in Mongolia.

According to this law, the permanent and temporary residents must buy, sell, lend and transfer foreign currency exclusively through the Bank of Mongolia and its authorised commercial banks.

Permanent residents who receive foreign currency income in the form of cash or non-cash must sell or hold it in a commercial bank authorised by the Bank of Mongolia within 60 days of receipt. Temporary residents must provide written contracts for buying, borrowing, selling and lending foreign currency from commercial banks and loan guarantees.

Under the Law on Combating Money Laundering and the Financing of Terrorism and Relevant Procedures, commercial banks must submit a report on a cash, foreign settlement and/or virtual assets transactions which is equivalent to or above MNT 20 million

to the Financial Information Unit within five working days of such transactions in accordance with the approved procedure and format.

Commercial banks must monitor the following:

- sudden increases in transaction size compared to the customer's regular activity;
- transactions that have no apparent economic or legal grounds;
- transactions conducted in the name of politically influential persons; and
- transactions made through countries defined by international organisations as having strategically deficient regimes on anti-money laundering and counter-terrorist financing.

5.5 What role do stakeholders such as employees, pensioners, creditors, customers and suppliers play in shaping business operations in your jurisdiction? What other influence can they exert on an enterprise?

Stakeholders – including employees, pensioners, creditors, customers and suppliers – play significant roles in shaping business operations in Mongolia. They can exert influence on an enterprise in various ways, as follows:

- **Employees:** According to the relevant law, an 'employee' is a Mongolian citizen, a foreign citizen or a stateless person working on the basis of employment relations. Employees have rights and protections under the Labour Law including regulations related to working conditions, wages, benefits and so on. Through collective bargaining or participation in employee associations or unions, employees can:
 - advocate for their interests;
 - influence employment practices; and
 - negotiate better working conditions.
- **Pensioners:** Pensioners may have an indirect impact on businesses. The financial stability and wellbeing of pensioners can influence their spending patterns, which in turn can affect demand for businesses' products or services. Businesses should consider the purchasing power and preferences of pensioners when developing marketing strategies and product offerings.
- **Creditors:** Creditors, such as banks and financial institutions, provide capital or credit to businesses. They play a crucial role in shaping business operations by influencing the availability and cost of financing.
- **Customers:** According to the law, a 'customer' is an individual who orders, buys or uses goods, works or services for personal, family and household needs, not for production or business activities. Customers are key stakeholders who directly influence business operations through their purchasing decisions. Understanding customer needs, preferences and feedback is essential for businesses to develop products, services and marketing strategies that align with customer expectations.

Customers can exert influence by choosing to support or boycott a business based on factors such as:

- quality;
- price;
- ethical considerations; or
- customer service.

The legitimate interests of customers are protected under the Law on Customer Rights and, with regard to contractual relations, the Civil Code.

- Suppliers: Suppliers provide goods or services to businesses, and their reliability, quality and pricing directly impact the operations and competitiveness of enterprises. Building strong relationships with suppliers, ensuring timely deliveries and negotiating favourable terms can enhance business efficiency and customer satisfaction. Suppliers may also influence business operations through their own policies, such as changes in pricing, availability or product offerings.

Other influences on business operations may include:

- government regulations;
- industry associations;
- local communities;
- environmental organisations; and
- competitors.

Each of these entities can have varying degrees of influence on an enterprise through their actions, policies and interactions.

5.6 What key concerns and considerations should be borne in mind with regard to general business operations in your jurisdiction?

When considering general business operations in Mongolia, several key concerns and considerations should be borne in mind which can influence the overall success and sustainability of a business in the Mongolian context:

- Regulatory environment: Understanding and complying with the regulatory framework in Mongolia is crucial. Familiarise yourself with:
 - laws and regulations relating to:
 - business formation;
 - permits;
 - taxation;
 - labour; and
 - environmental protection; and
 - industry-specific regulations.

Seek legal advice or consult with relevant authorities to ensure compliance with applicable laws and regulations.

- **Access to finance:** Consider the availability of financing options and access to capital in Mongolia. Assess the requirements and procedures for obtaining loans, venture capital or other sources of funding. Establish relationships with banks, financial institutions, and investors to secure adequate financial resources for your business operations.
- **Infrastructure:** Evaluate the state of infrastructure in Mongolia, including:
 - transportation networks;
 - telecommunications; and
 - utilities.

Infrastructure deficiencies can affect supply chains, logistics and operational efficiency. Determine how infrastructure limitations may impact your business and develop strategies to mitigate potential challenges.

- **Human resources:** Human capital is a critical consideration for business operations. Assess:
 - the availability of skilled labour;
 - language proficiency; and
 - workforce training programmes.

Develop strategies for attracting, retaining and developing talented employees. Compliance with labour laws, employee rights and workplace health and safety regulations is essential.

- **Sustainability and environmental factors:** Recognise the importance of sustainable practices and environmental considerations in Mongolia. Compliance with environmental regulations, resource management, waste disposal and community engagement can contribute to the long-term viability and reputation of your business.
- **Risk management:** Assess and manage potential risks to your business, such as:
 - market volatility;
 - political instability;
 - natural disasters;
 - legal disputes; or
 - IP protection.

Develop risk management strategies, including:

- insurance coverage;
- contingency plans; and
- legal support.

6. ACCOUNTING

6.1 What primary accounting obligations apply in your jurisdiction?

In Mongolia, businesses have certain primary accounting obligations to comply with legal and regulatory requirements. The specific reporting obligations can vary depending on factors such as the type of business, industry, and size of the company. The accounting obligations that commonly apply in Mongolia include the following:

- **Financial reporting:** Businesses in Mongolia are typically required to prepare and submit financial statements on an annual basis. These financial statements should comply with accounting standards and regulations in Mongolia, such as Mongolian Accounting Standards (MAS) or International Financial Reporting Standards (IFRS). Financial reporting obligations may also include the submission of tax-related information, including tax returns and supporting documents.
- **Tax reporting:** Businesses in Mongolia must fulfil tax reporting obligations to the General Department of Taxation. This includes reporting various tax-related information, such as income, expenses, sales, purchases and other financial transactions.
- **Social insurance reporting:** If the employer employs an employee, a social insurance report must be submitted and paid. For the purpose of social insurance, the insured and the employer pay social insurance premiums to the social insurance fund within the period prescribed by law. The employer must submit a report on the monthly social insurance premium payment to the social insurance authority by the fifth of the following month.
- **Statistical reporting:** Certain businesses may have obligations to provide statistical information to the National Statistical Office of Mongolia. This includes reporting data on various aspects of business operations, such as:
 - employment;
 - production;
 - sales; and
 - other relevant statistical indicators.

The frequency and specific requirements for statistical reporting may depend on the nature of the business and industry.

- **Corporate governance reporting:** Companies that are listed on the Mongolian Stock Exchange or that are subject to corporate governance regulations may have reporting obligations relating to corporate governance practices. This includes disclosing information on:
 - board structures;
 - committees;
 - executive compensation;
 - related-party transactions; and
 - other governance-related matters.

- Environmental reporting: Certain businesses operating in environmentally sensitive sectors may have reporting obligations relating to:
 - environmental impact assessments;
 - pollution control; and
 - compliance with environmental regulations.
 These reporting obligations aim to:
 - ensure adherence to environmental standards; and
 - mitigate potential environmental risks.
- Permit-related reporting: Depending on the business operation, a number of reporting requirements may be required in relation to the permit. If the business operation requires a permit, the permit holder must report on its operations to the relevant authority in a timely manner.

6.2 What role do the directors play in this regard?

According to the Company Law, a company's executive body must manage the company's day-to-day activities within the scope of its authority as established by the company charter and the agreement entered into with the board of directors. Unless the company charter provides for a collegial executive body, the executive body will be an individual. Where the role of the executive body is filled by an individual, that individual will be the executive director. The directors of the company play a crucial role in:

- fulfilling reporting obligations; and
- ensuring compliance with legal and regulatory requirements.

Key roles and responsibilities of directors in relation to reporting obligations in Mongolia include the following:

- overseeing the company's compliance with reporting obligations. Directors should be aware of the applicable laws, regulations and reporting requirements that pertain to the company's activities;
- establishing and implementing reporting policies and procedures within the company. Directors should ensure that appropriate systems, processes and internal controls are in place to facilitate accurate and timely reporting;
- overseeing the preparation, review and approval of financial statements, and ensuring that they provide a true and fair view of the company's financial position and performance;
- making relevant disclosures to stakeholders such as shareholders, regulators and the public in accordance with legal requirements. Directors should ensure that the company's reporting provides accurate and meaningful information that allows stakeholders to make informed decisions;
- monitoring the company's compliance with reporting obligations. Directors should also stay updated on changes in reporting requirements and take appropriate actions to ensure ongoing compliance; and

- engaging with external professionals such as auditors, accountants, legal advisers or consultants to obtain expert advice and assistance in meeting reporting obligations.

6.3 What role do accountants and auditors play in this regard?

Accountants and auditors play essential roles in ensuring accurate financial reporting and compliance with reporting obligations. They provide professional expertise, independent assessments and assurance regarding the financial statements and other financial information of a company. The accountant and auditors must follow the laws of Mongolia in their professional activities, such as:

- the Law on Accounting;
- the Law on Auditing; and
- other relevant regulations.

Accountants have the following roles:

- **Financial record keeping:** Accountants are responsible for maintaining accurate financial records of the company's transactions, including:
 - revenues;
 - expenses;
 - assets; and
 - liabilities.
- **Financial reporting:** Accountants prepare financial statements – such as the income statement, balance sheet and cash-flow statement – based on the company's financial records.
- **Compliance:** Accountants play a critical role in ensuring compliance with reporting obligations. They are familiar with applicable laws, regulations and reporting requirements, and ensure that the financial statements and other financial information adhere to these requirements.
- **Internal controls:** Accountants:
 - establish and maintain internal controls within the company to safeguard assets;
 - ensure the accuracy of financial records; and
 - prevent fraudulent activities.

They design and implement control procedures to mitigate risks and ensure the integrity of financial reporting.

Auditors have the following roles:

- **Independent examination:** Auditors conduct independent examinations of the company's financial statements, records and internal controls. They assess:

- the accuracy and completeness of the financial statements; and
- their compliance with accounting standards and regulatory requirements.

Based on their examination, auditors issue audit opinions on the financial statements. These opinions express their professional judgement on the fairness and compliance of the financial statements. Audit opinions can be unqualified (clean), qualified, adverse or a disclaimer, depending on the findings and limitations of the audit.

In conducting their examination, auditors adhere to auditing standards, such as International Standards on Auditing or national auditing standards. They follow a systematic and disciplined approach in gathering evidence, assessing risks and forming conclusions.

- **Recommendations:** Auditors provide recommendations to improve internal controls, financial reporting processes and compliance with reporting obligations. They communicate their findings and recommendations through audit reports, which are shared with the company's management, the board of directors and sometimes external stakeholders.
- **Confidentiality:** Auditors must not use any information obtained during the audit for personal purposes or disclose it to others except as required by law.

The auditors must notify the client if:

- it is not possible to conduct an audit; or
- other specialists need to be involved.

Accountants and auditors work together to ensure the accuracy and reliability of financial reporting, and its compliance with the legal requirements. While accountants are involved in the preparation of financial statements and maintaining financial records, auditors provide an independent assessment and verification of those statements. Their combined efforts enhance transparency, accountability and trust in the reporting process.

6.4 What key concerns and considerations should be borne in mind with regard to accounting in your jurisdiction?

When it comes to reporting in Mongolia, the following key concerns and considerations should be borne in mind:

- Understand the applicable laws, accounting standards, tax regulations and other reporting obligations that pertain to your business. Stay updated on any changes or updates to these requirements.
- Comply with the relevant accounting standards in Mongolia, such as MAS or IFRS. Ensure that your financial statements and reporting practices align with the prescribed accounting principles and disclosures.

- Understand the tax reporting obligations in Mongolia, including tax filing deadlines, tax return forms and reporting requirements specific to your business. Comply with tax laws and regulations to accurately report:
 - income;
 - expenses; and
 - other relevant tax information.
- Timeliness and deadlines: Adhere to reporting deadlines to ensure timely submission of:
 - financial statements;
 - tax returns; and
 - other required reports.

Late or non-compliance with reporting deadlines may result in:

 - penalties;
 - fines; or
 - legal consequences.
- Accuracy and transparency: Ensure that financial statements and other reports provide a true and fair view of the company's financial position and performance. Maintain proper documentation and supporting records to substantiate the reported information.
- Internal controls: Implement robust internal controls to ensure the accuracy and integrity of financial reporting. Establish processes and procedures for recording, verifying and reviewing financial information. This helps to mitigate the risk of errors, fraud and non-compliance.
- Audit and assurance: Consider engaging external auditors to provide an independent assessment of your financial statements. Audits can:
 - provide assurance to stakeholders;
 - validate the accuracy of reported information; and
 - identify areas for improvement in reporting practices.
- Language and translation: Ensure that financial statements and reports are prepared in the appropriate language required by Mongolian law. If necessary, provide translations of financial documents to meet the language requirements.
- Data security and privacy: Safeguard financial and business data to protect against:
 - unauthorised access;
 - data breaches; and
 - privacy violations.

Implement appropriate data security measures to ensure the confidentiality and integrity of reported information.

7. EXECUTIVE PERFORMANCE AND COMPENSATION

7.1 How is executive compensation regulated in your jurisdiction?

Executive compensation in Mongolia is regulated through various laws, regulations and guidelines. While there is no specific legislation dedicated to executive compensation, there are provisions in different laws that govern aspects of executive remuneration. Key considerations in relation to the regulation of executive compensation in Mongolia include the following:

- Labour Law: The Labour Law sets out general provisions on:
 - employment contracts;
 - wages; and
 - benefits.It establishes the principles of fair remuneration and prohibits discrimination in compensation based on:
 - gender;
 - nationality; or
 - other factors.
- Company Law: The Company Law provides guidance on corporate governance matters, including executive compensation. It emphasises the responsibility of the board of directors in determining executive remuneration, taking into account:
 - the company's financial performance;
 - industry practices; and
 - shareholder interests.
- Financial reporting standards: Financial reporting standards, such as Mongolian Accounting Standards (MAS) or International Financial Reporting Standards (IFRS), require companies to disclose executive compensation in their financial statements. This includes reporting the nature, components and total amount of compensation paid to key management personnel, often including executives.
- Corporate Governance Guidelines: The Financial Regulatory Commission has issued Corporate Governance Guidelines that provide recommendations and best practices for executive compensation. These guidelines encourage companies to establish transparent, performance-based and fair compensation policies, aligned with the long-term interests of the company and its shareholders.
- Shareholder approval: In certain cases, executive compensation may require shareholder approval – particularly for publicly listed companies or when significant changes to compensation policies are proposed. Shareholders have the right to vote on executive remuneration during annual general meetings or extraordinary general meetings.

- **Taxation:** Executive compensation may be subject to taxation in Mongolia. Employers are responsible for complying with tax laws and regulations, including the withholding and reporting of income taxes on executive remuneration.

Companies should adopt responsible and transparent practices when determining executive compensation in Mongolia. While there is no extensive framework specifically dedicated to executive remuneration, companies should consider relevant laws, regulations and corporate governance guidelines to ensure fairness, transparency and alignment with stakeholder interests.

7.2 How is executive compensation determined? Do any disclosure requirements apply?

The determination of executive compensation in Mongolia is typically the responsibility of board of directors or the shareholders' meeting, particularly the remuneration committee or a similar body if one exists. The process of determining executive compensation involves considering various factors, including:

- the company's financial performance;
- industry standards;
- individual performance;
- the experience of the executive; and
- the interests of shareholders.

While there are no specific regulations outlining the exact methodology for determining executive compensation in Mongolia, common practices include the following:

- **Disclosure requirements:** Companies in Mongolia must generally disclose executive compensation in their financial statements, as per financial reporting standards such as the MAS or IFRS. Disclosure requirements may include reporting the nature, components, and total amounts of compensation paid to key management personnel, often including executives.
- **Stock Exchange Listing Rules:** Companies listed on the Mongolian Stock Exchange must comply with the listing rules, which may include specific requirements for disclosure of executive compensation. These rules aim to ensure transparency and accountability in reporting executive remuneration for listed companies.

7.3 How is executive performance monitored and managed?

According to the Company Law, the board of directors elects and changes the company's executive management and determines its competence; while the shareholders' meeting of a limited liability company without a board of directors elects the company's executive director and members of the executive body, determining their authority and the termination of their powers prior to the expiration of their terms. Monitoring and managing executive performance in Mongolia typically involve a combination of mechanisms and processes

aimed at evaluating, guiding and aligning the performance of executives with the company's strategic objectives. Common practices for monitoring and managing executive performance include the following:

- **Performance evaluation:** Regular performance evaluations are conducted to assess the performance of executives. These evaluations may involve:
 - setting specific goals and targets;
 - measuring performance against those goals; and
 - providing feedback on individual and team performance.
- **Key performance indicators (KPIs):** KPIs are established to measure and monitor the performance of executives. They are aligned with the company's strategic objectives and may include:
 - financial targets;
 - operational metrics;
 - customer satisfaction indices; or
 - other relevant performance measures.
- **Performance-based incentives:** Performance-based incentives – such as bonuses, stock options or equity grants – are commonly used to align executive performance with company goals. These incentives:
 - provide rewards for achieving predetermined performance targets; and
 - foster a focus on delivering results.
- **Regular reporting:** Executives are expected to provide regular reports on their activities, progress and results. These reports may be shared with the board of directors, shareholders or other relevant stakeholders. Regular reporting:
 - enhances transparency and accountability; and
 - enables monitoring of performance.
- **Board oversight:** The board of directors plays a crucial role in monitoring and managing executive performance. The board:
 - sets performance expectations;
 - reviews performance reports; and
 - provides guidance to executives.

It may also conduct performance reviews or engage external consultants to assess executive performance.

- **Professional development and training:** Companies often invest in professional development and training programmes to enhance executive skills, knowledge and capabilities. These programmes:
 - support ongoing learning and skills development; and
 - enable executives to meet evolving business challenges.

- Succession planning: Effective performance management includes succession planning to identify and groom potential successors for executive positions.
Succession planning:
 - ensures continuity; and
 - minimises disruption in leadership positions.

It is important for companies to have robust performance management systems and processes in place to effectively monitor and manage executive performance.

7.4 What key concerns and considerations should be borne in mind with regard to executive performance and compensation in your jurisdiction?

When considering executive performance and compensation in Mongolia, the board of directors will determine the terms of the contract with the company's executive body, as well as the amount of awards, bonuses and responsibilities to be given to them. If there is no board of directors, the shareholders' meeting will determine these issues. Key concerns and considerations that businesses should bear in mind include the following:

- Alignment with business strategy: Executive performance and compensation should be closely aligned with the company's strategic objectives. Compensation structures should incentivise executives to focus on:
 - long-term value creation;
 - sustainable growth; and
 - the achievement of KPIs that align with the company's vision and mission.
- Compliance with tax laws and reporting obligations: All such requirements in relation to executive compensation should be complied with.
- Remuneration committee: Joint stock companies should establish a remuneration committee or similar body to:
 - oversee compensation matters;
 - review performance evaluations; and
 - make informed decisions on executive compensation.
- Robust performance evaluation processes: These are required to ensure that executive performance is assessed objectively. Set clear performance objectives, establish measurable KPIs and conduct regular performance reviews to provide feedback and guidance to executives.
- Ethics and corporate culture: Consider the ethical implications of executive compensation practices and foster a culture of fairness, transparency and integrity. Ensure that compensation practices align with the company's values, promote diversity and inclusion, and discourage excessive risk taking or unethical behaviour.
- Long-term incentives: Evaluate the use of long-term incentives, such as stock options or equity grants, to align executive interests with long-term shareholder value creation. These incentives can:

- promote loyalty;
- incentivise long-term thinking; and
- align executives' compensation with the company's long-term success.

These factors can help to ensure fair, transparent and effective management of executive performance and compensation.

8. EMPLOYMENT

8.1 What is the applicable employment regime in your jurisdiction and what are its key features?

Employment relations are governed by the Labour Law, which enshrines fundamental employment rights. Other laws of relevance include:

- the Law on Labour Safety and Hygiene;
- the Law on Supporting Employment;
- the Law on the Minimum Wage;
- the Law on Social Insurance; and
- the Law on Labour Force Migration.

The following basic principles and fundamental rights apply to labour relations:

- non-discrimination;
- assurance of freedom to employment, free choice of job and profession, favourable labour conditions, wages and rest;
- prohibition against pressure, violence or sexual harassment;
- prohibition against forced labour;
- disuse of security;
- rights to assembly, entry into collective agreement and collective bargaining and management of relations among employers, employees and their representatives;
- prohibition against unfairness;
- security of social partnership (ie, bilateral or tripartite cooperation between employers and employees, their representatives and government organisations, aimed at establishing a social consensus by harmonising the interests of the relevant parties in labour relations and related issues); and
- prohibition against child labour and elimination of intolerable forms of child labour.

The key rights and obligations of employees are as follows.

Rights of employees	Obligations of employees
<ul style="list-style-type: none"> • To conclude, change or terminate an employment contract with an employer voluntarily. • To receive suitable remuneration for the job duties performed. • To take annual leave and personal leaves as per proper procedures. • To file a complaint with a competent person where the employee considers that his or her right to employment or legitimate interests have been violated. • To control payment and documentation of social and health insurance, and demand the correction of wrong or incomplete entries or errors. 	<ul style="list-style-type: none"> • To comply with the labour legislation, collective agreements, collective bargaining, employment contracts and internal labour regulations, and spend work hours on the performance of the job duties only. • To adhere to technical and technical regimes, and accomplish tasks assigned by the employer in terms of occupational safety and health legislation. • To report immediately to the employer or their line manager any cases that are dangerous to their own life or health or those of others, or to the employer's property. • Unless the employer has specifically authorised this, not to undertake any work or service that is in direct competition to or that directly corresponds with the employer's business. • To be covered by mandatory social and health insurance.

The rights and obligations of employers are as follows:

Rights of employers	Obligations of employers
<ul style="list-style-type: none"> • To change, terminate and end an employment contract concluded with an employee in conformity with the relevant legislation. • To demand that an employee perform his or her obligations and comply with labour legislation, employment contract and internal labour regulations. • To reward or incentivise employees. 	<ul style="list-style-type: none"> • To pay remuneration that is suited to the job duties performed in due time, set reasonable labour norms (unless they are set in a collective agreement or collective bargaining agreement), inform the payroll system and ensure that employees follow all necessary procedures at the business entity or organisation. • To comply with the labour legislation, collective agreements, collective

<ul style="list-style-type: none"> • To impose labour disciplinary action and liability of property on employees in conformity with legislation. • To receive required information from an employee in conformity with legislation. • To develop internal labour regulations and ensure compliance in consideration of employee representatives' opinions. 	<p>bargaining agreements, employment contracts and internal labour regulations, and provide certified copies of the job description and employment contract to employees.</p> <ul style="list-style-type: none"> • To conclude an employment agreement with an individual as stated in the law, and provide a workplace that meets the requirements and standards of the Law on Occupational Safety and Health and is free from discrimination, pressure, violence or sexual harassment. • To provide employees with work and all necessary equipment, tools, documents and other things and instructions required for the performance of their job duties. • To provide mandatory social and health insurance to employees, pay and report the premiums at the rate stipulated by law and document the payment of social and health insurance premiums. • To explain and introduce the grounds for termination of an employment agreement. • To ensure that employees do not work over the maximum limit of work hours determined in law.
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Employment contract: An employer must execute the employment contract in writing and give one copy of the contract to the employee. The employment contract can be either:

- fixed term; or
- indefinite, in the following cases:
 - working as an apprentice;
 - working during a probationary period;
 - undertaking seasonal jobs;
 - working instead of an employee whose position will be retained;
 - working in a temporary workplace; or
 - undertaking work that is limited in its timeframe due to funding or scope of the work.

The basic terms of the employment contract include:

- the job title and duties in a job description;
- the location of the workplace;
- the amount of salary; and
- the working conditions.

An employee may enter into simultaneous employment contracts with employers other than the primary one, but in such case must inform the primary employer accordingly.

The types of employment contract most commonly used in Mongolia are as follows:

- employment contracts for working as an apprentice;
- employment contracts for internship;
- probationary employment contracts;
- employment contracts with special terms and conditions;
- part-time employment contracts;
- work from home employment contracts; and
- employment contracts for remote work.

Hours of work and rest: The hours of ordinary work per week should not exceed 40 hours. The hours of work of a minor per week should not exceed 30 hours and the length of a normal working day should not exceed eight hours. The maximum limit of weekly hours of work should not exceed 56 hours. The maximum limit of overtime work should not exceed four hours per day. For part-time employees, the hours of work per week should not exceed 32 hours.

If, due to the nature of the work, services or manufacturing process, it is impossible to adhere to the ordinary daily or weekly work hour limits as determined by law, working hours will be calculated in aggregate. Any work at the employer's initiative in excess of the ordinary daily work hours, shift work hours, weekly work hours or the sum of ordinary hours of work for calculating aggregate work hours will be deemed overtime work.

Employers in the mining and extraction sector may apply a roster schedule by deploying and working employees in remote areas far from their place of residence. Rostered employees will work for 14 days and then have 14 days off. Hours of work and rest for rostered employee and the roster work allowance will be set under a collective agreement and through sectoral collective bargaining.

The types of hours of rest in Mongolia are as follows:

- breaks for rest and meals;
- continuous rest between two consecutive working days;

- weekly rest;
- public holidays; and
- annual leave.

Salary and allowance: Salaries are comprised of:

- base pay;
- additional pay;
- extra pay;
- annual leave pay; and
- bonuses.

The following principles should be observed in determining the amount of salary:

- The salaries of those performing jobs of similar value should be identical;
- The salary should take into consideration changes in the cost of living and in inflation;
- The salary should reflect the employee's skills level, performance and output;
- The salary should not discriminate on sex or other grounds; and
- The approach to calculating salary should be transparent and understandable.

Salaries should be paid at least twice a month on fixed dates, and the payroll dates should be outlined in internal labour regulations or employment contracts.

Occupational safety and health: The employer should take effective measures to protect employees' lives and health and prevent industrial accidents and occupational diseases. The employer should ensure normal working conditions that meet occupational safety and hygiene requirements and standards.

Internal labour regulations, labour discipline and responsibilities of the parties: The employer should approve and enforce internal labour regulations in accordance with the law and in consideration of proposals from the employee representatives. If the employer fails to pay an employee's salary on the date promised, a fine will accrue in an amount equal to 0.3% of the due salary on each day overdue day and will be payable to the employee.

The employer and employees who are parties to the employment contract bear their own responsibilities

The employer's liabilities are as follows:

- payment of fines in case of failure to pay salary in a timely manner;
- compensation of employees for damage caused by industrial accidents, acute poisoning or occupational diseases;
- compensation of employees for the use of their personal tools and items for work;

- liabilities in case of unjustified transfer to another job, working in rotation or termination of employment relations; and
- liabilities upon termination of employment relations.

Employees' property liability includes:

- property liability;
- property liability of employees holding special terms employment contracts;
- determination of property damage caused by employees;
- compensation for property damages; and
- employer's protection of its property from risks.

Anti-discrimination: It is prohibited to terminate the employment of pregnant women or mothers (or single fathers) with children under the age of three at the employer's initiative. The employer's obligations include the following:

- providing additional breaks and allowances for breastfeeding and childcare;
- providing paid pregnancy and maternity leave for 120 days to mothers; and
- providing paid pregnancy and maternity leave for 140 days to mothers of twins.

Where a mother or father of a child aged up to three so requests, the employer must grant her or him childcare leave and regulate pay during the leave period in accordance with:

- the law;
- collective agreements;
- collective bargaining agreements;
- employment contracts; and
- internal labour regulations.

8.2 Are trade unions or other types of employee representation recognized in your jurisdiction?

Trade unions and other employee representatives are recognised in Mongolia and play a significant role in protecting the rights and interests of employees. According to Article 4.1.4 of the Labour Law, an 'employee's representative' is:

- a trade union or its representative that undertakes to represent and protect employees' rights and legitimate interests; or
- where no such organisation exists, an employee elected from a meeting of all employees to fulfil this role.

Trade unions and other types of employee representatives have the following role:

- to initiate and organise strikes pursuant to law;
- to conclude collective agreements through collective bargaining with employers or employer associations to negotiate employment terms, wages, benefits and working conditions on behalf of members;
- to exercise public control over implementation of the labour legislation within their extent of rights;

- to provide a platform for employees to collectively express their concerns and interests, and represent and protect members in various employment-related matters, such as disputes, grievances or disciplinary procedures;
- to require the suspension, modification, annulment or termination of the administrative decision that harms the right to work;
- to file a complaint on behalf of members and employees to restore their violated rights; and
- to suggest any issue related to labour rights to be discussed by employees or organise a discussion independently by trade union members.

8.3 How are dismissals, both individual and collective, governed in your jurisdiction?

What is the process for effecting dismissals?

In Mongolia, individual and collective dismissals are regulated by the Labour Law.

Employment relations will be terminated the following grounds:

- The parties have mutually agreed to terminate;
- The employee has passed away;
- The term of an employment contract ends and is not extended;
- The competent authority demands termination;
- The employee was temporarily replacing a permanent job holder who is returning to work;
- The employee receives a sentence for a crime which means that he or she is unable to continue work;
- A court determines that the employee has no legal capacity;
- The employee is appointed or selected for another position; or
- The employee or the employer initiates a procedure to terminate employment relations.

Individual layoffs: Employment relations may be terminated at the employer's initiative on the following grounds as prescribed by the Labour Law:

- The business entity or organisation, or a branch or unit thereof, is liquidated, or jobs within it are cut;
- It is determined that the employee is not qualified for the job or position in terms of his or her skills, specialisation or performance. The employee must have been warned and provided with a reasonable timeframe to improve his or her skills, specialisation or performance;
- The Medical Labour Examination Commission determines that the employee is unable to work for health reasons and there is no other job to transfer him or her to, or the employee is unable to work even though the employer has taken measures to provide by special tools;

- The employee has committed a labour disciplinary breach at least twice, or has committed a serious breach for which employment relations must be terminated immediately as outlined expressly in the employment contract;
- An employee who has authority over the employer's money or assets loses the employer's trust due to a wrongful act or non-act; or
- It is discovered that the employee provided forged documents in relation to his or her education, profession or specialisation during the recruitment process.

The termination of employment relations by the employer is prohibited except:

- on the grounds set out in the Labour Law; or
- in the event of liquidation of the business entity or organisation, or a branch or unit thereof.

Notice or severance: The employer must provide written notice of termination of employment relations, citing the specific grounds specified in the Labour Law, to the employee at least 30 days prior to termination. Additionally, when necessary, the employer must confirm receipt of such notice.

Collective dismissals: Termination of employment in the following numbers or percentages within a 90-day period on the grounds of liquidation of the business entity or organisation or a branch or unit thereof, or cuts to the jobs within it, will be regarded as mass layoffs:

- five or more employees where the business entity or organisation has 10-50 staff;
- 10% or more of the total employees where the business entity or organisation has 51-499 staff; and
- 50 or more employees where the business entity or organisation has at least 500 staff.

In the event of mass layoffs, the employer must:

- notify the employee representatives of:
 - the grounds for termination of employment;
 - the employees affected; and
 - the date of the termination of employment; and
- hold negotiations with employee representatives on issues set forth in the Labour Law, including:
 - potential reductions in the number of employees to be laid off;
 - the transfer of employees to vacant positions in the business entity or organisation;
 - the rehire of such employees where new jobs are created;
 - the upskilling and retraining of employees for different professions; and
 - the amount of severance pay.

Each employee must be provided with written notice of termination of employment at least 30 days prior to the actual termination date. The termination of employment relations will take effect at least 30 days after the date of the notice. The employer must further provide written notice to the organisation in charge of labour within its jurisdiction within 30 days of making such decision, providing relevant information about:

- the affected employees; and

- the reasons for the terminations.

Most importantly, employees' salary will have first priority for payment in the event of a mass lay-off of the employees due to liquidation of the business entity or organisation, or a branch or unit thereof.

8.4 How can specialist talent be attracted from overseas where necessary?

As stipulated in the Labour Law, relations pertaining to the employment of foreigners and stateless persons in Mongolia are governed by:

- the Law on the Legal Status of Foreign Citizens;
- the Law on Labour Migration;
- the Law on the Promotion of Employment; and
- other laws.

There are five steps in hiring specialists from abroad, as follows:

- grant of pre-approval or an invitation for a work permit;
- submission of visa application;
- entry of the foreign employee to Mongolia;
- grant of a work permit; and
- grant of a residence permit.

Enterprises, organisations and citizens may enter into agreements with foreign legal entities to recruit foreign workers and specialists where high-level professional skills are required for the purpose of:

- advanced scientific, educational and manufacturing technologies;
- the development of new production and services;
- the assembly and repair of equipment; and
- the implementation of projects.

An agreement on the recruitment of foreign workers and specialists should include the following general conditions:

- the foreign worker's job title/profession and duties;
- the number of foreign workers to be employed;
- health requirements for foreign nationals;
- conditions for the mutual acceptance of documents confirming the level of profession and education;
- the terms of the agreement;
- the conditions for termination or cancellation of the agreement;
- the salary;

- occupational safety and health and working conditions;
- work and rest hours;
- issues relating to housing and household supplies;
- social insurance issues; and
- methods for resolving:
 - disputes relating to implementation of the agreement; and
 - labour disputes.

Pre-approval or invitation for work permit: As preliminary steps, the enterprise:

- invites the foreign employee to work for it;
- sends a visa invitation letter to the foreign employee; and
- pre-approves the work permit.

Foreigners must apply for a preliminary permit in the month before coming to Mongolia. The request will be resolved within 10 working days of receipt.

Visa approval: A Mongolian visa, issued by an authorised organisation, allows the holder to enter Mongolia and stay in the country for a certain period. Unless otherwise specified in an international agreement to which Mongolia is a party, a foreign citizen entering Mongolia must obtain a Mongolian visa in accordance with the appropriate procedure. Visas are issued to foreigners who have a valid passport or equivalent document. Foreigners coming from a country which has a Mongolian embassy or consulate should apply to the embassy or consulate for a visa; otherwise, they can apply for a visa at the border. A foreign citizen staying in Mongolia for more than 91 days can:

- apply for a residence visa permit for official or private affairs; and
- obtain a visa for diplomatic, official, investor, worker, student, family, personal, religious or emigration purposes.

The following visas are available for investors:

- the B1 visa for investors in foreign-invested enterprises and the B1-1 visa for relatives of such investors;
- the B2 visa for foreign citizens appointed as the representative or executive management of investors in foreign-invested enterprises and the B2-1 visa for relatives of such foreign citizens; and
- the B3 visas for foreigners appointed as the head of a representative office of a foreign legal entity (B3) and the B3-1 visa for relatives of such foreign citizens.

The following work visas are available:

- the C1 visa for foreign nationals coming to work in the construction, infrastructure (roads and bridges) and development sectors and the C1-1 visa for relatives of such foreign nationals;
- the C2 visa for foreign nationals coming to work in the field of science, education or information technology and the C2-1 visa for relatives of such foreign nationals;
- the C3 visa for foreign citizens coming to work in the geology, mining, oil or energy sector and the C3-1 visa for relatives of such foreign nationals;
- the C4 visa for foreign nationals coming to work in the financial, economic and legal sectors and the C4-1 visa for relatives of such foreign nationals;

- the C5 visa for foreign nationals coming to work in the field of culture and sports and the C5-1 visa for relatives of such foreign nationals;
- the C6 visa for foreign nationals coming to work in the production and service sectors and the C6-1 visa for relatives of such foreign nationals;
- the C7 visa for foreign nationals coming to work in the agriculture and farming sector and the C7-1 visa for relatives of such foreign nationals;
- the C8 visa for foreign nationals coming to work in the health sector and the C8-1 visa for relatives of such foreign nationals;
- the C9 visa for foreign nationals coming to work in the humanitarian sector and the C9-1 visa for relatives of such foreign nationals;
- the C10 visa for foreign nationals coming to work in the field of care and services for household needs; and
- the C11 visa for foreign nationals coming to work in the transport sector and transporting cargo for export.

Work permit: After the arrival of the foreign national, the employer must register the new employee within 10 working days and obtain a work permit, which takes between three and five working days. Work permits are issued for a period of up to one year.

Residence permit: This permit is obtained from the Immigration Agency of Mongolia (IAoM). An application must be submitted within 21 days of entering Mongolia. A foreigner seeking a residence permit in Mongolia for the first time must personally attend the IAoM and register his or her physical data (eg, fingerprints, photographs). A foreign citizen who has applied for a residence permit for official or personal affairs must undergo a medical examination if necessary.

The request for a residence permit must be made personally by the foreigner or his or her authorised representative. If the request is declined, the applicant may file another request once 90 days have elapsed. A residence permit is issued for a period of up to one year.

8.5 What key concerns and considerations should be borne in mind with regard to employment in your jurisdiction?

Employment contracts: The employer should ensure that employment contracts are:

- clear;
- comprehensive; and
- compliant with local labour law.

Key aspects to consider include:

- the terms of employment;
- compensation;
- benefits;
- working hours;
- leave entitlements;

- termination procedures; and
- dispute resolution mechanisms.

Minimum employment standards: The employer should be aware of and comply with minimum employment standards established by the labour laws. According to Article 5.1 of the Law on Minimum Salary, the minimum salary is determined by the Tripartite National Committee for Labour and Social Consensus and is MNT 550,000 per month.

Workplace health and safety: The employer is legally obliged to provide a safe and healthy work environment for employees. This includes:

- implementing safety policies;
- providing necessary training;
- maintaining appropriate equipment; and
- complying with health and safety regulations to minimise workplace hazards and prevent accidents.

Employee benefits and entitlements: The employer should understand and comply with laws regarding employee benefits and entitlements, such as:

- healthcare coverage;
- retirement plans;
- paid holidays;
- maternity/paternity leave; and
- other statutory benefits.

In case of excess working over the time stipulated in the Labour Law, the employer will be:

- liable to compensate the worker; and
- fined MNT 1.5 million.

Collective bargaining and employee representation: If the employer has avoided entering into or amending collective bargaining agreements or collective agreements, it may be fined MNT 1.5 million.

Termination of employment: The employer should be familiar with the laws and procedures on the termination of employment, including:

- individual and collective dismissals;
- redundancy requirements;
- notice periods;
- severance pay; and
- protection against unfair dismissal.

If an employer dismisses an employee without legal grounds or if this conduct breaches the Labour Law, it will be fined MNT 1.5 million. Serious breaches which will lead to the termination of the employment should be clearly stated in the employment agreement with the employee. The employer should:

- adopt an internal human resources policy and a confidentiality policy; and
- create an environment in which pressure, violence and sexual harassment are prohibited, by incorporating procedures on the prevention and termination of pressure, violence and sexual harassment in the workplace.

Immigration and work authorisation: When hiring foreign workers, employers should comply with immigration laws and obtain necessary work permits or visas for employees, to ensure they have the legal right to work. According to the Law on Labour Force Migration, if an employer hires a foreigner who has no permission to work, this may result in the imposition of restrictions on the employer from hiring other foreign workers.

Intellectual property and confidentiality: The employer should establish policies and agreements to protect IP rights and maintain the confidentiality of sensitive information to prevent unauthorised use or disclosure.

Compliance with employment laws: The employer should keep abreast of changes in labour laws, regulations and industry-specific requirements. Compliance with the applicable employment laws is crucial to avoid legal consequences, fines and reputational damage. If it is impossible to transfer an employee to another job during downtime that occurs due to *force majeure*, a competent authority's decision or without the fault of the employee:

- the employee must be paid at least 60% of his or her base salary; and
- this pay must not be lower than the minimum wage.

If the employer fails to do so, it will be fined MNT 5 million and ordered to compensate the employee accordingly.

9. TAX

9.1 What is the applicable tax regime in your jurisdiction and what are its key features?

The tax regime in Mongolia is regulated by:

- the General Law on Taxation; and
- other relevant laws, including:
 - the Corporate Income Tax Law;
 - the Law on Personal Income Tax;
 - the Law on Value Added Tax (VAT);
 - the Law on Customs Taxation; and
 - the Law on Excise Tax (when selling certain goods).

Tax rates: Tax rates are set as follows:

- The government establishes the rates for:
 - customs duties;
 - VAT;
 - excise tax;
 - royalties;
 - air pollution fees;
 - water pollution payments;
 - petroleum royalties;
 - land payments;

- fees for the use of water resources; and
- fees for the use of forest reserves.
- The citizens' representative meetings of Mongolia's 21 provinces and the capital city establish the rates of:
 - personal income tax;
 - immovable property tax;
 - automobile and vehicle tax;
 - licence fees for the exploitation of natural resources other than minerals;
 - the capital city tax;
 - pet tax;
 - fees for the use of natural plants;
 - water and spring water usage fees;
 - fees for the use of wildlife; and
 - fees for the use of widespread mineral resources.
- The citizens' representative meetings of Mongolia's 331 administrative districts and councils of settlement and regional-grade cities may establish the rates of:
 - livestock tax; and
 - waste disposal service fees.

Other taxes include:

- corporate income tax;
- gasoline and diesel fuel tax;
- exploration and mining licence fees;
- state stamp duty;
- petroleum and unconventional petroleum exploration and exploitation licence fees;
- guns and ammunition tax;
- inheritance tax; and
- fees for the use of genetic resources and traditional knowledge associated with genetic resources.

Taxes on corporate income and gains. The corporate tax system is progressive:

- Annual taxable income of up to MNT 6 billion is subject to tax at a rate of 10%; and
- Taxable income in excess of this amount is taxed at a rate of 25%.

In addition, entities with annual taxable income of up to MNT 300 million are subject to tax at a rate of 1%. Exceptions from this regime apply to those engaged in:

- exploring for and mining minerals;
- selling and importing alcoholic beverages and tobacco;
- producing and wholesaling crude oil; or
- trading and importing gasoline and diesel fuel.

Permanent residents of Mongolia are taxed on their worldwide income. A company is regarded as a permanent resident of Mongolia if any three of the following conditions are met:

- More than 50% of the shareholders (or their nominees) reside in Mongolia;
- More than 50% of the shareholders' meetings in the preceding four years were held in Mongolia;
- The accounting or financial documents are maintained in Mongolia;
- More than 25% of the board members (or their nominees) reside in Mongolia; and
- More than 60% of the total income is sourced from Mongolia.

Permanent residents may qualify for a tax credit with respect to income generated from the production of specified products.

Capital gains tax: Capital gains and losses are treated in the same manner as other taxable income and losses. Gains are subject to the progressive Mongolian corporate tax rates of 10% and 25%. Exceptionally, gains derived from the sale of immovable property are subject to tax at a rate of 2%. These withholding tax rates apply to payments to non-residents.

Tax deductions, exemptions and credits: Tax regimes may allow for deductions, exemptions or credits that reduce the taxable income or tax liability of individuals or legal entities. These incentives are often provided to promote specific activities, investments or social objectives.

Tax deductions and exemptions can take the following forms:

- amortisation of taxes imposed;
- a reduction in tax rates;
- an exemption from income, capital, property, goods, works and services tax below a specified minimum level;
- an exemption for the taxpayer;
- an exemption for certain portions of a taxable item from tax; and
- other forms specified in the tax legislation.

Tax deductions: Expenses that meet all of the following conditions can be deducted from taxable income:

- They arose during the reporting period for the relevant tax;
- They are directly related to the taxable income of the taxpayer;
- They were actually incurred and confirmed by documents and related records specified in Article 13 of the Accounting Law;
- The cost of the following goods, works and services are confirmed by a receipt with a unique number as specified in Article 28.5 of the General Tax Law and a receipt

confirming that taxes have been levied on imported goods and paid to the customs office:

- expenses for works and services provided by the taxpayer and including a foreign entity operating in Mongolia through its representative office; or
- expenses relating to the purchase of movable and immovable property and intangible assets; and
- The expenses are to be paid or reported by the taxpayer that engaged in the relevant operation.

Expenses that meet the above conditions will be deducted from taxable income under the limits and conditions stated in the Corporate Income Tax Law.

Tax exemptions: The following income is exempt from tax:

- Government and Bank of Mongolia bond payments, interest and forfeiture;
- Dividends on shares of state-owned legal entities and state-owned enterprises holding special licences for the use of mineral deposits;
- Income allocated from the state budget to the Future Heritage Fund and investment income of the fund;
- Income obtained from the sale of products attributable to the taxpayer operating in the territory of the country in accordance with the production share agreement in the oil industry;
- income from the main activities of the Credit Guarantee Organisation as stipulated in the law;
- deposit insurance fund fee income;
- dividends distributed to the government from state-owned enterprises;
- cooperative income from the price difference of mediation for the sale of its members' products;
- income from the mediation of IP rights;
- income from investment fund operations; and
- other exemptions stipulated in the law.

Tax credit: A tax credit of 90% is available for taxpayers with annual taxable income of up to MNT 1.5 billion, except for those in the following sectors:

- the exploration, extraction, use, transportation and sale of minerals and radioactive minerals;
- tobacco planting, production and importation;
- importation of alcoholic beverages;
- crude oil production, wholesaling and trading; and
- importation of gasoline and diesel fuel.

Where the tax credit is found to apply, a tax refund will be reimbursed to the taxpayer within 30 working days of the annual statement deadline. Tax relief should not exceed the amount of tax imposed.

A 50% tax credit is available to taxpayers that generate income from the planting and production of:

- cereal, potatoes and vegetables;
- milk;
- fruits and berries;
- fodder plants; and
- poultry products.

A tax credit of 50% or 90% is available to taxpayers that are located in remote provinces, as follows:

- 50% for taxpayers that are 500 kilometres or more away from Ulaanbaatar; and
- 90% for taxpayers that are 1,000 kilometres or more away from Ulaanbaatar.

However, the following activities are excluded from this incentive:

- mineral exploration and mining;
- the sale, production and importation of alcoholic beverages and tobacco;
- the sale and importation of crude oil;
- the provision of communication services;
- the construction of energy sources and networks, and the production, sale and distribution of energy;
- aviation operations; and
- the construction and repair of roads.

Domestic law provides that foreign tax credit relief is limited to jurisdictions that have legal arrangements with Mongolia regarding information exchange. An exemption from corporate tax is available to investors that operate in the oil industry in Mongolia under a product-sharing contract with the Mongolian government.

Certain tax incentives are available to infrastructure developers in free-trade zones in Mongolia, subject to certain qualifying conditions, such as an investment threshold. These include tax incentives for projects relating to:

- power generation;
- heating facilities;
- sanitary facilities;
- roads;
- railways;
- airports; and
- telecommunications infrastructure.

Both foreign and domestic companies may apply for a tax stabilisation certificate – subject to meeting certain criteria, such as introducing new technology and creating stable jobs – to govern their investments in Mongolia. This certificate guarantees stable tax conditions for a

fixed term (ie, consistent tax treatment regardless of changes in the tax law) across four different taxes:

- corporate income tax;
- customs duty;
- VAT; and
- royalty tax.

The term (between five and 18 years) of a tax stabilisation certificate depends on:

- the industry;
- the amount of the investment; and
- the geographical location of the investment.

For investments over MNT 500 billion, if requested by an investor, the government may enter into an investment agreement to stabilise the environment in which the investor will be carrying out its operations. Taxation is not the only issue covered by these stabilisation arrangements – they also relate to:

- more secure legal protection;
- government incentives;
- licensing and permitting;
- repatriation of profits; and
- other issues.

Foreign tax relief: Domestic law provides for a unilateral foreign tax credit, regardless of whether a tax treaty is in place.

Net operating losses: Losses can be carried forward for four years. The use of such losses is limited to 50% of taxable profits in any tax year (the tax year in Mongolia is the calendar year). The carry-back of losses is not allowed.

Groups of companies: Tax grouping is not allowed in Mongolia.

Rights of taxpayers: Taxpayers are entitled to exercise the following rights:

- to obtain information on taxation, payment, and reporting procedures, methods and forms related to the implementation of tax laws from tax authorities and state tax inspectors;
- to gain discounts and tax exemptions stipulated in the tax legislation;
- to extend the tax payment period in accordance with the law;
- to refund, withhold and invoice for overpaid taxes;
- to get acquainted with the tax act and other documents issued by the tax office, and if it is considered unreasonable or inconsistent with the law, to file an administrative or judicial complaint within 30 days of receipt;
- to require tax authorities and state tax inspectors to comply with the tax laws, and to compensate for damages caused by illegal decisions and actions of the authorities in *accordance* with the procedures stipulated by law;
- to submit complaints on illegal actions and decisions of the tax authorities and state tax inspectors to their direct subordinate and higher-level officials, as well as to the courts. However, a complaint will not constitute grounds for delaying the payment of taxes, fines or penalties imposed; and
- other rights as stated in the law.

Administration: Taxpayers with a taxable income of MNT 6 billion or more must file quarterly returns within 20 days of the end of each quarter. Taxpayers with taxable income of up to MNT 6 billion must file semi-annual returns by 20 July. An annual return is due on 10 February following the end of the tax year and the taxpayer must settle all outstanding liabilities by that date.

If it is necessary to withhold tax on dividends, royalties, sales of rights, transfers of profits overseas by permanent establishments of foreign companies and other Mongolian-source income earned by non-resident taxpayers, the withholding tax must be remitted to the state within 10 working days. All withholding tax statements must be submitted within 20 days of the end of the quarter and an annual statement must be filed by 10 February following the end of the tax year.

On the submission of tax returns, the Mongolian tax authorities generally conduct an administrative check to ensure that all requirements have been satisfied with respect to the filing. At a later stage, the tax authorities may conduct a more detailed review of the returns through a tax audit.

Dividends: Dividends paid between permanent residents of Mongolia are subject to a 10% withholding tax. Dividend income received by a non-resident from a permanent resident is subject to withholding tax at a rate of 20%. This rate may be reduced under an applicable double tax treaty.

Double tax treaties: Mongolia has entered into tax treaties with 26 countries to prevent double taxation and facilitate international trade and investment. These treaties provide rules for determining the taxation rights between Mongolia and treaty partner countries.

9.2 What taxes apply to capital inflows and outflows?

Mongolian corporate income taxation is levied at the following rates, using a progressive scale that ranges from 10% to 25%:

- A rate of 10% applies to the first MNT 6 billion of annual taxable income; and
- A flat fee of MNT 600 million plus a rate of 25% applies to anything over MNT 6 billion of annual taxable income.

The income described in the chart below is deducted when determining the annual taxable income and is taxed at different tax rates on a gross basis.

Source of income	Applicable tax rate (%)
Dividends	10%
Royalties	10%
Interest	10%

Funds (<i>including, (i) funds deposited in a special account for rehabilitation of the state central administrative body in charge of environmental affairs as a guarantee to fulfill one's obligation regarding environmental protection; and (ii) funds deposited in an escrow account in a commercial bank of Mongolia as guarantee to fulfill the obligation to rehabilitate environment fully and liquidate constructions and buildings used for exploration and mining</i>) returned by the competent state body in accordance with the relevant legislation	10%
Insurance reimbursements	10%
Fees and charges evidenced by a payment receipt paid to a state organisation in connection with obtaining a right issued by that state organisation	10%
Sale income and income from the transfer of real estate	2%
Income from quizzes, gambling and lotteries (net)	40%
Profits transferred from a permanent establishment to its own head entity in the applicable tax year	20%
Interest income on loans and debt drawn by commercial and domestic sources of the Commercial Bank of Mongolia	5%
Earned income up to MNT 300 million in the year of operating activities (except for income from the exploration, mining, transportation or sale of minerals and radioactive minerals; the production of alcoholic beverages; the production and import of tobacco plants and tobacco; the production of petroleum products; the import of all types of fuel; and the trade, exploration, extraction and sale of petroleum)	1%
Income from the sale of IP rights	5%
Income transferred to a legal entity that does not reside in Mongolia in the form of a software licence fee or server rental fee to be used for the primary operations of a Mongolian-resident taxpayer that is engaged in the primary activities of software development	5%

9.3 What key exemptions and incentives are available to encourage enterprises to do business in your jurisdiction?

Several exemptions and incentives are available to encourage enterprises to do business in Mongolia. These incentives are aimed at:

- attracting foreign investment;
- promoting economic growth; and
- supporting specific sectors.

Key exemptions and incentives include the following:

- Tax incentives for strategic entities: The Law on Investment provides tax incentives for strategic entities involved in sectors such as:
 - mining;
 - infrastructure;
 - energy; and
 - agriculture.

These incentives may include:

- reduced corporate income tax rates; and
- exemptions from customs duties on imported machinery and equipment.
- General tax incentives: Mongolia offers various general tax incentives to businesses, including tax exemptions and reductions. These incentives may vary based on:
 - the location of the investment;
 - the size of the investment; and
 - the specific sector.

They can include:

- reduced corporate income tax rates;
- exemptions from VAT on imported equipment; and
- deductions for research and development expenses.
- Free trade zones: Mongolia has designated free zones to encourage international trade and attract foreign investment. Businesses operating in these zones may benefit from exemptions from:
 - customs duties;
 - VAT; and
 - certain taxes on imported goods and equipment.
- Double tax treaties: Mongolia has signed double tax treaties with 26 countries to avoid double taxation and provide relief to businesses operating internationally. These treaties generally aim to eliminate or reduce withholding tax rates on dividends, interest, royalties and capital gains.

The Law on Investment is currently undergoing revisions, with new provisions being introduced to enhance the available investment incentives.

According to the revised Law on Investment, and depending on the investment amount and geographical scope, investors that wish to implement projects in Mongolia for a minimum duration of five years, will be granted a tax stabilisation certificate as outlined below.

Investment amount (MNT)		Tax stabilisation certificate issuance period (years)
Ulaanbaatar	Other cities/provinces	
From MNT 20 billion to MNT 50 billion	From MNT 10 billion to MNT 50 billion	10
From over MNT 50,000,000,001 to MNT 100 billion		15
From over MNT 100 billion upwards		20

The following taxes and their percentages and amounts will be stabilised for the duration of the certificate:

- corporate income tax;
- customs duty;
- VAT; and
- mineral resource royalties.

The stabilisation certificate takes effect on the date of issue. It will be issued to the following investors, depending on the structure of the investment project:

- If the investment project will be implemented solely by one legal entity, the stabilisation certificate will be issued to that legal entity; or
- If the investment project will be implemented by two or more related legal entities, the stabilisation certificate will be issued to their parent company.

The government may extend tax rate stabilisation incentives and non-tax incentives to investors. However, no investment incentives will be granted for activities involving the manufacture, import, export or trade of:

- tobacco;
- alcoholic beverages;
- narcotic drugs;
- psychoactive substances;
- firearms; or
- ammunition.

Non-tax investment incentives: Investors may avail of the following non-tax investment incentives in accordance with the applicable laws and regulations:

- the use of land for between 15 and 60 years on the basis of a contract and the extension of this period by up to a further 40 years under the original terms of the contract;

- support for investors operating in free zones, industrial parks or technological parks, and simplified procedures for registration and inspection;
- reductions in and exemptions from payments for foreign workers working in Mongolia;
- support for the implementation of innovation projects and production of innovative products aimed at export;
- the issue of multiple-entry visas and permanent residence permits to foreign investors who have invested in Mongolia and their families; and
- other incentives provided by law.

Investment stabilisation agreements (ISAs): ISAs provide additional protections and incentives for large-scale investment projects with investments of at least \$500 billion. They include stability provisions on taxes, tariffs and other regulations, ensuring a stable investment environment for the agreed duration. Non-tax investment incentives will be granted to investors that enter into ISAs.

The respective members of the government will sign an ISA with an investor as authorised by law. The ISA will be concluded for a period that is not less than the maximum duration of the stabilisation certificate, taking into account:

- the purpose of the investment;
- the main activities;
- the investment amount;
- the source;
- the investment period; and
- the stages of the investment.

The investor must submit an investment operation and financial audit report to the central state administrative body in charge of investment by 1 May each year, either electronically or in paper form. The central body:

- issues and supervises the implementation of ISAs and stabilisation certificates; and
- may:
 - provide recommendations and directions for implementation; and
 - obtain explanations and clarifications.

Investor complaints: If an investor or its duly authorised representative finds that its rights and lawful interests have been infringed by illegal acts or omissions of state organisations or officials, it can file a complaint with the Council for the Protection of Investor Rights and Interests, either electronically or in paper form. The complaint must include:

- information and evidence on how the investor's rights and legal interests have been violated;
- the complainant's:
 - name;
 - residence or postal address;
 - contact phone number; and
 - signature; and

- information on government organisations and officials involved in the complaint.

Within five working days of receiving the complaint, the council will forward it to the relevant state organisations to obtain the following explanations and information about the complaint:

- information about what state organisations and officials are doing to protect the complainant's rights and address its legal concerns; and
- information on measures to be taken in the future, including information on the timeframe for investigating the problem.

State organisations and officials must process this information and submit it to the council within five working days. Upon receipt of this feedback, the council will convene within five business days. Where it confirms wrongful conduct, it will formulate recommendations for the respective state organisation and notify the investor accordingly.

The council will review the complaint within five working days. If the complaint is found valid, the council will create a plan for necessary actions and propose that those responsible be held accountable. This plan, along with all necessary details, will be sent to the Central State Administrative Body in Charge of Investment within five working days.

The central body will receive the proposal from the Council for the Protection of Investor Rights on how the complaint should be resolved. The Central State Administrative Body in Charge of Investment:

- will receive the opinions of:
 - the Council for the Protection of Investor Rights and Profits; and
 - the higher-level organisations and officials that are directly subordinate to the state body and local administrative body in charge of the complaint; and
- will subsequently present the matter to the Cabinet and resolve the relevant issues according to the law.

The matter will subsequently be presented at a Cabinet meeting for deliberation and potential legal enactment, leading to the appropriate resolution of the pertinent matters.

The state organisation and the higher-level organisation of the local administrative organisation with responsibility for the subject matter of the complaint must vote on the issue within 14 days. Adherence to decisions of the government is mandatory for the relevant government organisations and officials; non-compliance will constitute sufficient cause for the removal of officials from their position.

Tax exemptions: Tax exemptions for individuals and business entities are clearly stated in Mongolian law.

The tax exemptions applicable to individuals may include:

- VAT incentives;
- salary of foreigners working in foreign diplomatic missions and consulates in Mongolia, or in the United Nations and its specialized agencies, as well as their family members; and
- income earned by the above persons in a foreign country.

9.4 What key concerns and considerations should be borne in mind with regard to tax in your jurisdiction?

When conducting business in Mongolia, several key concerns and considerations relating to taxes should be kept in mind. Understanding the tax landscape and complying with tax obligations are essential to ensure smooth business operations. Key considerations include the following.

Corporate income tax: A taxpayer is taxed on income earned in Mongolia, sourced from Mongolia or generated in a foreign country during the current tax year. The deadlines for filing annual tax returns and paying corporate income tax on time should be observed.

Carry-forward tax losses in a tax return: Expenses that satisfy the conditions and requirements of Corporate Income Tax Law will be subtracted from the overall taxable income and any excess expenses will be included as a tax loss. The confirmed tax loss carry-forward, endorsed by the tax authorities, may be subtracted annually for a consecutive period of four years, commencing from the year in which the loss was incurred, with a limitation of 50% of the total taxable income.

VAT: Determine whether your business activities require VAT registration and if so, comply with the registration process. Ensure proper VAT accounting, invoicing and reporting to meet VAT obligations. Entities with sales of at least MNT 50 million, which are responsible for withholding VAT and remitting it to the government, will be classified as withholding value-added taxpayers. These include entities that:

- engage in the sale of goods, works and services in Mongolia; or
- are involved in the import or export of goods, works and services.

Personal income tax: Personal income tax rates in Mongolia range from 10% to 25% based on income levels. Consider the obligations relating to withholding tax on:

- employee salaries;
- dividends;
- royalties; and
- other applicable payments.

Customs duties: Comply with customs valuation rules to determine the value of goods for customs duty purposes. Be aware of any preferential trade agreements or special customs arrangements that may affect customs duties. For most products, import duties are 5% and 10% VAT must be paid at Customs.

Transfer pricing report: According to the General Law on Taxation, if the determinants of income, profits and the tax base in the terms and conditions of a controlled transaction differ from those of uncontrolled transactions and results in a decrease in the tax base:

- the tax base will be increased by the amount of such discrepancy; and
- the relevant tax will be reassessed.

A 'controlled transaction' is a transaction carried out between related parties.

A transfer pricing report encompasses the following:

- an annual report on transfer pricing transactions;
- a domestic transfer pricing report;
- a general transfer pricing report; and
- a country-by-country report.

Taxpayers must:

- maintain and report information on controlled transactions;
- provide requested information on a transfer pricing report to the tax administration before and/or during a tax audit; and
- submit their annual report on transfer pricing transactions along with their annual tax return to the appropriate tax administration.

Compliance and reporting: Maintain accurate and complete records to support tax filings and comply with record-keeping requirements. Be prepared for tax audits by:

- maintaining proper documentation; and
- ensuring compliance with tax laws and regulations.

Timeframe for tax reporting: Quarterly tax statements must be reported by the 20th of the first month of the following quarter. The annual tax statement must be reported and a year-end settlement made by 10 February of the following year. The Corporate Income Tax Law specifies the due date for filing tax returns and paying taxes. Unless otherwise stipulated by the law, the due dates for paying taxes and filing tax returns are the same.

Tax debts: Taxes, due losses and penalties that remain unpaid within the timeframe prescribed below become tax debts:

- for taxes determined in a taxpayer's tax returns, the date on which the taxes must be paid and reported as stipulated in the tax legislation;
- for taxes determined in revised returns through returns processing at the taxpayer's request, the date of receipt of the revised tax returns;
- for taxes, due losses and penalties established through a tax reassessment order or penalty notice, within 15 days of delivery of such decision; and
- for taxes in relation to which a tax return is not required, the date on which they must be paid as stipulated in the tax legislation.

Tax refunds and offsetting: The tax authorities will resolve tax overpayments by:

- refunding them;
- offsetting them against other taxes payable during the relevant period; and
- offsetting them against taxes payable in the following period, if the taxpayer agrees.

Dispute resettlement procedure: The tax authorities will confirm whether the taxpayer:

- has fully determined the amount of tax due in accordance with the tax laws; and
- has paid the amount due on time.

If it has not been paid in full, a tax reassessment order will be issued. If the taxpayer does not accept the tax reassessment order, either in whole or in part, a complaint can be filed with the relevant dispute resolution council within 30 days of receipt. A tax reassessment order is a document delivered to a taxpayer that reflects the amount of reassessed taxes, penalties and due losses as determined by the tax authorities.

When filing a complaint in relation to a tax reassessment order, the taxpayer must pay 10% of the disputed amount in advance. This payment is capped at MNT 100 million. Following the resolution of complaints and claims filed by the taxpayer during the compensation process, both the dispute resolution council and the court will reimburse the pre-paid tax amount to the taxpayer.

Complaints are resolved as follows:

- A complaint against the tax authority of a province, the capital city or a city with state-grade status will be resolved by the dispute resolution council at the respective tax authority of the province, capital city or city with state-grade status.
- Within three days, the dispute resolution council will:
 - review relevant tax acts, submitted complaints, requests and other documents and information; and
 - make a determination on jurisdiction.
- The dispute resolution council will decide to revise, invalidate, uphold or suspend the amount of reassessed tax. Its decision will be issued in the form of a resolution. If necessary, the period can be extended for three months for re-examination.
- The dispute resolution council will resolve the complaint within 30 days of the taxpayer filing the complaint and deliver its decision to the parties. If necessary, the decision-making period can be extended once for up to 30 days.
- If the taxpayer does not accept the decision of the dispute resolution council, it can appeal to the court within 30 days of receiving the council's decision.

10. M&A

10.1 What provisions govern mergers and acquisitions in your jurisdiction and what are their key features?

Mergers and acquisitions in Mongolia are primarily governed by the Company Law, which:

- establishes the legal framework for M&A transactions; and
- outlines the key features and requirements.

Mergers are defined in Article 19 of the law as the 'consolidation of companies'.

Acquisitions are defined in Article 20 as 'uniting companies'.

The ‘consolidation of companies’ is further defined as the “termination of activities of two or more companies and the transfer of the rights, obligations, and liabilities of such companies to a newly established company”. The resolution/decision on consolidation and the consolidation agreement must be adopted by at least two-thirds of the votes of shareholders that are eligible to vote and that attend the meetings of each company. The following documents must be submitted to the respective shareholders’ meetings:

- the draft resolution and the agreement defining the conditions and procedures for reorganisation;
- the charter of the newly created company; and
- the proposal defining the procedure for converting the securities of each company.

As a result, the shareholders of the legacy companies have the right to own shares in the successor company. The voting rights of shareholders participating in the shareholders’ meeting are equal to the converted voting rights set forth in the reorganisation agreement.

‘Uniting companies’ is further defined as the “termination of the activities of one company and transfer of the rights, obligations, and liabilities of such company to another company”.

The acquisition of a company will be conducted through the same process as a merger. The boards of directors of both companies (or, in their absence, the executive management) will:

- prepare:
 - the draft decision/resolution on the acquisition;
 - an acquisition agreement; and
 - a proposal for the procedure for converting the securities of the target into securities and other assets of the acquirer; and
- submit them to the shareholders’ meeting of each company.

The decision/resolution on the acquisition must be adopted by at least two-thirds of the votes of shareholders that are eligible to vote and that attend the meetings of each company. If, prior to a proposed acquisition, the acquirer owns more than 75% of the common shares of the target and it is deemed unnecessary to amend its charter, its board of directors (or, in its absence, the shareholders’ meeting) may:

- adopt a resolution on the acquisition; and
- determine the procedures to be followed in giving effect to the acquisition.

Rights of shareholders: The reorganisation of a company can have a significant impact on the position and interests of shareholders. In the case of a reorganization of a company by consolidation, merger or transformation, any holder of voting shares of such company who voted against the reorganization, or who did not participate in such voting, shall have right to demand redemption of its shares by the company. On the other hand, the shareholders lose all other rights. The shares of shareholders that do not exercise this right will be converted according to the reorganisation resolutions. Within 15 working days of the decision to reorganise the company, the reorganised company must notify creditors and other clients in writing of the reorganisation. A joint stock company must notify the Financial Regulatory Commission (FRC) and the relevant securities trading organisation of the resolution within three business days. The reorganisation of the joint stock company must be registered with the State Registration Office on the basis of permission from the FRC.

M&A transactions generally require approval by the company's shareholders, unless certain exemptions apply. The law includes provisions on the valuation of shares, assets and liabilities involved in M&A transactions. Shareholders of legacy companies are entitled to own shares in the successor company. During shareholders' meetings, the voting rights of participating shareholders are determined based on the converted voting rights specified in the reorganisation agreement, to ensure equal treatment of shareholders.

A reorganisation plan outlining the terms and conditions of the merger or acquisition must be prepared and approved by the shareholders. The plan typically includes details of:

- the new company;
- the rights and obligations of the shareholders;
- the treatment of employees; and
- other relevant matters.

M&A transactions are governed by legally binding agreements – such as share purchase agreements, asset purchase agreements and merger agreements – which outline the terms and conditions of the transaction.

10.2 How are mergers and acquisitions regulated from a competition perspective in your jurisdiction?

The Regulatory Authority for Fair Competition and Consumer Protection (RAFCCP) is responsible for overseeing and enforcing competition law in Mongolia. M&A transactions that result in a significant market concentration may require clearance from the RAFCCP to ensure compliance with competition law and prevent anti-competitive practices.

M&A transactions that exceed certain thresholds prescribed by the Law on Competition must be notified to the RAFCCP for approval. A notification requirement applies where legal entities with a dominant position on a market:

- reorganise through merger or acquisition;
- purchase more than 20% of the common shares and/or more than 15% of the preferred shares of a competitor that sells the same types of goods and products; or
- merge or amalgamate with interdependent entities.

Upon notification, the RAFCCP will conduct an assessment to determine whether the proposed transaction would lead to a substantial lessening of competition in the relevant market. The RAFCCP will then issue a decision:

- approving the transaction;
- imposing conditions; or
- prohibiting the transaction if it determines that it would significantly harm competition.

The RAFCCP evaluates M&A transactions based on various factors, including:

- market share;
- market concentration;
- potential anti-competitive effects;
- barriers to entry; and

- consumer welfare.

Where the proposed transaction is likely to harm competition, the RAFCCP may impose conditions – such as divestitures, licensing obligations or other measures – to address the competition concerns identified.

The RAFCCP is empowered to investigate and take enforcement actions against companies engaged in anti-competitive practices, including:

- imposing fines;
- ordering the termination of such practices; or
- initiating legal proceedings.

Parties involved in M&A transactions should:

- assess the potential competition implications; and
- comply with the notification and approval requirements under the Law on Competition.

Failure to comply with the competition regulations can lead to penalties of MNT 40 million, pursuant to Article 10.7.7 of the Law on Conflicts.

10.3 How are mergers and acquisitions regulated from an employment perspective in your jurisdiction?

M&A transactions in Mongolia are regulated from an employment perspective primarily by the Labour Law and other relevant labour regulations. Specific provisions and considerations regarding employees and their rights should be taken into account, including the following.

Employee consultation and notification: The acquirer must inform and consult with employee representatives or labour unions regarding the intended M&A transaction. This typically involves sharing relevant information about the transaction and its potential impact on employees. Once the transaction is finalised, employees must be notified of any changes that may affect their employment rights, terms or conditions.

Transfer of employment contracts: In M&A transactions, the transfer of employment contracts from the target to the acquirer generally occurs automatically by operation of law. This means that employees' rights and obligations under their existing employment contracts are typically transferred to the acquirer. The acquirer must generally maintain the terms and conditions of employment that were previously provided by the target. This includes preserving seniority, benefits and other contractual rights. If the target is a party to a collective bargaining agreement, the acquirer may need to:

- comply with the terms of the agreement; or
- negotiate a new one with the relevant labour union.

Redundancies and severance: In some cases, M&A transactions may lead to redundancies or workforce restructuring. In such situations, the Labour Law sets out specific provisions for managing redundancies, including requirements for:

- fair selection criteria;
- notice periods;
- severance pay; and

- potential re-employment obligations.

If an employee is terminated due to the M&A transaction or as a result of redundancy, he or she may be entitled to severance pay, which is typically based on length of service.

Employee rights protection: The Labour Law prohibits discrimination against employees based on factors such as:

- race;
- gender;
- age; or
- disability.

The acquirer should ensure that employees are not subject to discriminatory practices during or after the M&A transaction. Employees' rights to benefits, entitlements and legal protections are generally preserved throughout the M&A process. The acquirer is expected to honour these rights and comply with labour regulations.

10.4 What key concerns and considerations should be borne in mind with regard to M&A activity in your jurisdiction?

When considering M&A activity in Mongolia, there are several key concerns and considerations that can impact the success and smooth execution of M&A transactions. They include the following.

Due diligence: Conduct comprehensive due diligence to assess the legal, financial, tax, operational and commercial status of the target. Identify any potential risks, liabilities or legal issues that may impact the transaction or the post-merger integration process. Assess the compatibility of corporate cultures, management styles and operational practices between the acquirer and the target.

Legal due diligence is usually conducted in the following areas.

Area	Scope of work
Corporate structure, share capital and shareholders	<ul style="list-style-type: none"> • Analysis of the establishment of the target, including its registration by appropriate state authorities (tax and social insurance authorities; State Registration Office) and the formation of charter capital (including a review of documents confirming full payment of the charter capital). • Analysis of shareholdings in the target (current shareholders; shares and encumbrances over the target's shares; share capital increases/decreases). • Analysis of the latest version of the target's charter with regard to compliance with Mongolian legislation (articles of association; any shareholders' agreement on the operation or governance of the target; any agreements on special rights of shareholders in the target, such as pre-emptive right agreements, voting rights agreements, equity custody agreements, sale and purchase agreements).

	<ul style="list-style-type: none"> • All changes to the equity/share capital of the target since its establishment and the relevant procedures performed for all changes to equity.
Material contracts/transactions	<ul style="list-style-type: none"> • Analysis of material contracts in force relating to the main business activity of the Target (up to 15 agreements), including: <ul style="list-style-type: none"> ○ the top five contracts with suppliers; ○ the top five contracts with customers; ○ employment agreements; ○ contracts with state and municipal authorities; and ○ credit and loan agreements, promissory notes issued by the target, and guaranty and surety agreements concluded by the target for amounts exceeding MNT 100 million. • Analysis of due corporate approvals of the abovementioned agreements (if applicable) on the basis of decisions of the general shareholders' meetings/board of directors. • Analysis of whether any provisions of local laws and regulations and existing agreements of the target and its shareholders would restrict or affect the transaction. • Analysis of whether the target has violated its articles of association, registration documents, other constitutional documents or applicable and relevant laws, and other known facts which may have a material adverse effect on its legal existence. • Analysis of other matters and risks that would have a significant impact on the acquisition according to Mongolian law or the actual situation of the target.
Permits	<ul style="list-style-type: none"> • Analysis of any mining licences under which the target carries on its business. • Analysis of all certificates (if any) and qualification certificates held by the target (specifying the issuing authority and the validity period). • Analysis of documents relating to inspections, requests for information, correspondence and notices served by any regulatory authority to the target (within the past year). • Analysis of general information on administrative proceedings, governmental inquiries or disputes affecting the target (within the past year)
Material litigation	<ul style="list-style-type: none"> • Analysis of summary information on court proceedings or other disputes (arbitration) in which the target is involved (except for tax disputes).

	<ul style="list-style-type: none"> • Confirmation of the taxes and tax rates applicable to the target, and the actual status of its tax declarations (whether or not it is subject to the relevant punishment). • Confirmation of whether there is any pending or foreseeable litigation or arbitration in the local courts or before any other judicial, administrative and arbitral institutions against the target.
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Employee considerations: Communicate effectively with employees and their representatives throughout the M&A process to:

- address concerns;
- maintain morale; and
- comply with labour regulations.

Review the terms of employment contracts, benefits and collective bargaining agreements to understand any obligations or potential changes arising from the transaction. Develop a strategy to retain key talent and ensure a smooth integration process to minimise disruption and maximise employee productivity.

Valuation and pricing: Conduct a thorough and fair valuation of the target to determine an appropriate purchase price or exchange ratio for shares. Consider different deal structures – such as cash transactions, stock-for-stock exchanges or a combination of both – and negotiate favourable terms for the transaction.

Auction: Business entities and organisations going through restructuring and liquidation or proposing to sell all of their assets through an auction must have their financial statements audited one month prior to the commencement of the auction.

11. FINANCIAL CRIME

11.1 What provisions govern money laundering and other forms of financial crime in your jurisdiction?

In Mongolia, money laundering and other forms of financial crime are governed by several key laws and regulations.

The Criminal Code outlines a category of crimes known as financial crimes, which include money laundering. It sets out penalties and punishments for individuals who are convicted of these crimes. Article 18.6 of the Criminal Code states that:

whoever received, possessed, used the asset, money or income knowing that they are proceeds of crime or transfer or conversion of such proceeds to conceal their illicit origins, assisted individuals involved in committing crimes to avoid legal liabilities, or disguise their true natures, origins, locations, administration, ownership, and property rights shall be punishable by limitation of free travel right for a term from six months to one year or imprisonment for a term from six months to one year.

Additionally, the Criminal Code encompasses a range of other financial crimes, including:

- illegal use of a monopoly or dominant market position;
- affecting the rates of foreign or national currency;
- tax evasion;
- patent infringement;
- smuggling;
- money laundering;
- making or using counterfeit money, securities or payment instruments;
- insider trading;
- abuse of the securities market;
- intentional, fictional bankruptcy;
- illegal bankruptcy;
- illegal receipt of social welfare and services;
- illegal opening of a bank account;
- disruption of bank solvency;
- evasion of social insurance premiums;
- illegal receipt of insurance compensation;
- infringement of trademarks or geographical indications;
- copyright infringement;
- illegal conduct of operations through the national payment system;
- illegal use of internal information of virtual asset services providers; and
- trading abuse in virtual asset service provider operations.

In 2003, Mongolia signed the International Convention for Combating the Financing of Terrorism. In 2004, Mongolia joined the Asia-Pacific Anti-Money Laundering Group (APAMLG), a regional organisation affiliated with the Financial Action Task Force (FATF). The APAMLG plays a significant role in formulating international policies aimed at preventing money laundering and terrorist financing. By becoming a member of these organisations, Mongolia committed to adhere to global standards in its efforts to combat money laundering and terrorist financing.

In July 2006, Mongolia initially ratified the Law on Combating Money Laundering and Financing of Terrorism ('AML Law'). To align with international standards and requirements, significant amendments were made to this law in 2013, 2018 and 2019. The amendments broadened the scope of the AML law by incorporating additional categories of reporting entities – notably:

- real estate brokerage organisations;
- traders of precious metals and precious stones;
- notaries;
- legal professionals; and
- providers of accounting and financial consulting services (PAFCS).

Reporting entities must enforce the AML Law and report customer identification, transaction details and activity information to the Financial Information Unit (FIU). To effectively combat and prevent money laundering and terrorist financing, PAFCS must adhere to the following laws and international standards:

- the Law on Combating Money Laundering and Financing of Terrorism;
- the Law on Proliferation of Weapons of Mass Destruction and Combating Terrorism;
- the Operational Procedures for Implementing Targeted Financial Sanctions for the Proliferation of Weapons of Mass Destruction and Combating Terrorism, as ratified by the Annex to Government Resolution 463 on 25 December 2019;
- the Procedures for Preventing Money Laundering and Financing of Terrorism, as ratified by the Annex to Order A-26 of the president of the Bank of Mongolia on 21 January 2019;
- the Procedures for Electronic Submission of Information by Reporting Entities to the FIU, as ratified by the Annex to Order A-326 of the president of the Bank of Mongolia on 25 December 2019;
- the Guidelines and Recommendations for Completing Reports in accordance with the Procedure for Electronic Submission of Information by Reporting Entities to the FIU; and
- FATF Recommendation 40: International Standards for Combating Money Laundering, the Financing of Terrorism, and the Financing of the Proliferation of Weapons of Mass Destruction.

The FIU: Reporting entities must promptly report transactions deemed suspicious or potentially linked to criminal or terrorist activities. The FIU receives and meticulously analyses suspicious transaction information from reporting entities. If a transaction is found to have potential connections with criminal or terrorist activities, the FIU promptly forwards this information to law enforcement agencies for further investigation.

On 8 July 2006, Mongolia enacted the AML Law thereby establishing the FIU within the Bank of Mongolia, establishing the foundations for the AML regime. Mongolia also joined the Egmont Group in 2009 to facilitate the exchange of information. As a result, the FIU commenced sharing information on Mongolia's behalf with the FIUs of other members of the Egmont Group. Pursuant to Article 16.1 of the AML Law mandates the FIU to function as an independent entity. It is responsible for receiving information pertaining to:

- money laundering and associated offences;
- terrorist financing;
- suspicious transactions; and
- cash transactions and foreign settlements that exceed the stipulated threshold.

The FIU is entrusted with:

- conducting in-depth analysis; and
- transmitting information regarding suspect transactions to the competent law enforcement agencies.

According to Article 18 of the AML Law, the FIU has the following functions:

- where it has reasonable grounds to suspect that an account is being utilised for money laundering or terrorist financing as per the AML Law:
 - to monitor the accounts of customers associated with reporting entities; and

- if necessary, to take actions such as freezing assets and suspending transactions;
- to receive, collect and analyse information provided by reporting entities, along with information held in the databases of analogous organisations both within the state and abroad;
- where there are valid suspicions in relation to a transaction, to transmit the pertinent information to the authorised law enforcement and counter-terrorist authorities, following the procedures outlined in the AML Law;
- to establish and maintain a comprehensive database of the details of suspicious cash and non-cash transactions;
- to consistently provide comprehensive reports containing general information on the analysis of suspicious transactions, and prevalent patterns and methodologies associated with such transactions, in order to facilitate and enhance the capacity of reporting entities to detect and report on suspicious transactions;
- to provide information and conduct public awareness campaigns focused on combating and preventing money laundering and terrorist financing;
- to pass on details of UN sanctions to reporting entities and oversee their implementation; and
- to coordinate and implement measures to ensure compliance with recommendations issued by international organisations with AML responsibilities.

Penalties: Parties that violate the AML Law may be subject to the following penalties:

- Individuals who violate the AML Law will be subject to legal liability in accordance with both the Criminal Law and the Law on Violations.
- If an inspection reveals a violation or potential breach of the AML Law, or non-compliance with the administrative norms established under the law, but this failure is not categorised as a criminal offence or violation, a designated official within the appropriate organisation (eg, the Association of Lawyers, the Association of Advocates, the Chamber of Notaries, the Chartered Accountant Institute or the FIU), as stipulated in Article 19.1 of the AML Law, may take appropriate measures. These may include:
 - issuing formal notices, providing reminders and allocating specific time-bound tasks to remedy the identified deficiencies;
 - providing guidance for enhancing and strengthening the organisation, operational processes, risk management and internal control mechanisms of a reporting entity;
 - temporarily suspending the special licence of a reporting entity, imposing partial or complete restrictions or suspensions, or recommending the revocation of a special operational licence; and
 - enforcing the dismissal, suspension or replacement of the authorised official of a reporting entity.

If the authorised official fails to fulfil his or her duties, assignments or requirements within the prescribed deadline, as outlined in the AML Law, he or she will be subject to liability in accordance with the Law on Violations.

11.2 What key concerns and considerations should be borne in mind with regard to the prevention of financial crime in your jurisdiction?

Preventing financial crime in Mongolia requires careful consideration of several key concerns and considerations, as follows.

Risk assessment and risk-based approach: As stipulated in Article 4.1 of the AML Law, reporting entities must conduct AML activities using a risk-based approach. To this end, they must conduct an objective assessment of the following risks in alignment with the nature and extent of the relevant activity:

- risks arising from the customer;
- risks arising from the method of delivery of products and services to customers; and
- risk arising from geographical location.

PAFCS, like other reporting entities, must:

- conduct a risk assessment;
- document and regularly update the information utilised therein; and
- ensure that this information is readily available for disclosure upon request by the competent authorities.

Following the outcomes of the risk assessment, PAFCS should incorporate the most effective risk management and mitigation measures into their internal control programmes, AML policies and procedures. For high-risk customers, additional measures should be taken to manage and mitigate risk.

Customer identification: This involves gathering information from customers to establish their identity, elucidating information in relation to their representation, activities and communication objectives, among other things. This information is then verified through official documents, government organisation databases and other credible sources to ensure its accuracy.

The primary aim is to ascertain:

- the ultimate owner of the customer or the individual it represents;
- the beneficiary of the customer's transactions; and
- the individual authorised to manage these affairs.

Suspicious transaction reports: If a PAFCS suspects or acquires knowledge that a transaction or action is linked to money laundering or terrorist financing, or the proceeds of criminal activities, that transaction or action will be deemed suspicious. Suspicious transactions and actions may vary depending on:

- the type of customer;
- the customer's financial situation; and
- the nature of its business operations.

Regardless of whether a transaction, action or attempt has been made or is about to be made, PAFCS and other reporting entities should assess the risk and determine the grounds for suspicion.

Confidentiality and prohibition provisions: The FIU has the right to collect additional information from the PAFCS, such as:

- a copy of the account of the person involved in the suspicious transaction;
- a copy of the document used to open the account; and
- a document assessing the risk of the bank's customer from the PAFCS.

Pursuant to the AML Law, the PAFCS, its management and its employees are prohibited from transmitting or disclosing any information related to transactions reported to the FIU to persons other than authorised law enforcement and anti-terrorism organisations. Moreover, the PAFCS, its management and its employees are prohibited from disclosing any information about a customer/client, individual or legal entity related to the report has been prepared, is about to be reported or has been reported. A determination by the National Security Agency that the information provided by an individual or legal entity lacks relevance for AML purposes will not render that individual or legal entity liable under the AML Law in relation to the provision of such information.

12. AUDITS AND AUDITORS

12.1 When is an audit required in your jurisdiction? What exemptions from the auditing requirements apply?

In Mongolia, the requirement for an audit is primarily determined by the legal structure and size of a company. An audit of the financial statements of the following business entities and organisations is mandatory:

- joint stock companies listed on a local or international stock exchange;
- state or locally owned entities and entities which have state or local ownership participation;
- companies which have applied for listing on a local or international stock exchange;
- business entities and organisations that hold a special permit stipulated in the Law on Permits, including:
 - business entities and organisations that carry out activities with a special permit in the fields of banking and financial services other than banking (Article 8.1(2) of the Law on Permits);
 - business entities and organisations carrying out activities with a special permit in the fields of finance, economy, customs and investment (Article 8.1(6) of the Law on Permits);
 - business entities and organisations carrying out activities with a special permit in the fields of mining and heavy industry, such production of oil products, utilisation of minerals and exploration for minerals (Sections 8.6, 8.14, 8.15 and Article 8.1 of the Law on Permits); and
 - business entities or organisations carrying out activities with an ordinary permit in the fields of banking and non-banking financial services (Article 8.2(2) of the Law on Permits);

- business entities and organisations operating in the sectors of commercial banking as special purpose companies and investment funds and virtual asset services;
- public service entities that supply electricity, heating or water;
- non-governmental organisations stated in the law that perform government functions under the agreement;
- business entities and organisations going through restructuring and liquidation or proposing to sell all of their assets through an auction;
- foreign-invested business entities and organisations;
- funds;
- business entities and organisations which are subject to consolidated financial statements; and
- other business entities and organisations which are required by law and international agreements of Mongolia to have their financial statements audited.

Business entities and organisations must audit their financial statements within the following timeframe:

- for joint stock companies, at least two weeks in advance of the shareholders' meeting at which the year-end financial statements will be discussed;
- for business entities or organisations that are undergoing restructuring, liquidation or proposing to sell all of their assets through an auction, one month prior to the commencement of such auction;
- for banks, by 31 March of the subsequent fiscal year; and
- for other business entities and organisations, by 30 April of the subsequent fiscal year.

There are no exemptions from the audit requirements under Mongolian law.

12.2 What rules relate to the appointment, tenure, and removal of auditors in your jurisdiction?

In Mongolia, the appointment, tenure and removal of auditors are governed by the Law on Auditing and the relevant regulations.

Independence and qualifications: Auditors must meet the independence and professional qualification requirements specified by the Law on Auditing and related regulations. They should be licensed audit firms or certified auditors recognised by the Mongolian Institute of Certified Public Accountants (MICPA).

Contractual agreement: The company and the auditor usually enter into a contractual agreement that outlines:

- the scope of work;
- the terms; and
- the remuneration.

To audit the insurer's financial statements, the insurer must appoint an auditor; or the Regulatory Commission may appoint an auditor.

Tenure: There are five-year term limits for auditors to provide auditing services to the same business entity or organisation. Auditors are generally appointed on an annual basis for each financial year.

Removal: Auditors may resign from their role by providing written notice to the company. The resignation should comply with contractual terms and any statutory requirements.

Shareholders have the authority to remove auditors before the expiration of their term. This decision is generally made during a shareholders' meeting and usually requires a majority vote or the prescribed threshold set by the company's articles of association.

In cases of professional misconduct or violation of auditing standards, the MICPA has the authority to investigate complaints and take disciplinary action against auditors.

12.3 Are there any rules or recommendations that limit the scope of services as regards the provision of non-audit services by an auditor?

In Mongolia, there are rules and recommendations that limit the scope of services provided by auditors in terms of non-audit services. These guidelines are intended to ensure auditor independence and maintain the integrity and objectivity of the audit process. Key considerations include the following:

- Auditors are expected to maintain independence, both in fact and in appearance, to ensure their objectivity and impartiality in conducting audits. The provision of certain non-audit services may potentially compromise this independence.
- The Law on Auditing and related regulations in Mongolia prohibit auditors from providing certain non-audit services to a client that they are auditing. These prohibited services typically include:
 - legal services;
 - certain types of consulting services; and
 - internal audit services.
- While some non-audit services are prohibited, auditors may still provide certain permissible non-audit services to their audit clients. These services should not impair the independence and objectivity of the audit process. Permissible services may include tax advisory, accounting system design and other services that are not directly related to the audit function.
- Auditors are expected to adhere to professional standards, codes of ethics and guidelines set by relevant professional bodies, such as the MICPA. These standards may further define and regulate the scope of permissible non-audit services.

.4 Are there any rules or recommendations which cap the remuneration of an auditor as regards payment for the provision of non-audit services?

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According to the Law on Audits, the client should pay the service charge at the agreed rate. Therefore, the remuneration of auditors is decided by agreement. However, guidelines and principles are issued by various international professional organisations and standard-setting bodies that address auditor remuneration.

One such organisation is the International Federation of Accountants (IFAC), which sets international standards for the accounting profession. IFAC's International Standard on Auditing (ISA) 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements", includes guidance on the consideration of fraud risk factors, which may include incentives or pressures arising from excessive remuneration.

Additionally, the International Auditing and Assurance Standards Board, an independent standard-setting body under IFAC, has issued the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants. The code includes provisions related to the independence of auditors, which can have implications for auditor remuneration.

Auditor remuneration is a complex topic influenced by factors such as:

- the nature and scope of the audit engagement;
- the size and complexity of the audited entity;
- market practices; and
- regulatory requirements specific to each jurisdiction.

Therefore, it is recommended to consult professional organisations.

13. TERMINATION OF ACTIVITIES

13.1 What are the main routes for terminating business activities in your jurisdiction? What are the advantages and disadvantages of each?

The liquidation of a legal entity is governed by the Civil Code and the Company Law in Mongolia. A legal entity will be liquidated on the following grounds in accordance with the Civil Code:

- a decision issued by the owner or its authorised representative or a body authorised by the founding documents of the legal entity;
- a court decision on liquidation on the grounds of:
 - bankruptcy;
 - repeated or serious breaches of laws; or
 - other grounds stipulated by law;
- a decision by the legal entity to discontinue its activities due to the expiration of the term or completion of its business purpose;
- a decision by the competent founder of the legal entity; or
- other grounds provided by law

In case of a decision on the voluntary liquidation of a legal entity by its owner or authorised body, the liquidation process takes place as follows.

Business entities and organisations going through liquidation must have their financial statements audited one month before the start of the liquidation process. The body that made the decision to liquidate must appoint a liquidation commission. Upon appointment of the commission, the authority of the executive body of such legal entity terminates and is transferred to the commission.

The competent body that made the decision to liquidate the legal entity must:

- notify the State Registration Office in writing within 15 working days; and
- attach the original copy of the decision on liquidation to the notification.

The liquidation commission must notify:

- the relevant tax authority;
- the Social Insurance Department; and
- if necessary, the Customs General Administration.

The liquidation commission must:

- publish the announcement on the liquidation of the legal entity in a daily newspaper and inform the public;
- provide written notice of the liquidation and the procedures and timeline for filing claims to each of the company's creditors;
- accept valid claims; and
- resolve the matters regarding the claims and liabilities.

After all claims have been satisfied, any remaining property will be transferred to the legitimate owners or to authorised persons, if provided by law. If the available cash of the legal entity is insufficient to satisfy the claims, the liquidation commission may sell other assets and satisfy the claims in accordance with the procedure under the law.

Claims against a legal entity in liquidation will be satisfied in the following order unless otherwise provided by law:

- compensation for damages caused to the life and health of others, tax debts and other payments ordered by court decision;
- operational expenses incurred by the trustee, the liquidation commission or other similar persons within their competence;
- claims arising from contracts and transactions concluded in the process of recapitalising the legal entity during bankruptcy;
- reimbursement of compulsory deposit insurance;
- in the case of a bank or similar entity, reimbursement of funds held in customer savings accounts;
- salary and wages for workers under labour contracts; and
- amounts due to other persons in accordance with the law.

The claims of each class of creditors must be fully satisfied before the next one can be paid.

The liquidation commission must further submit a request for deregistration as a taxpayer to the tax authorities either electronically or in paper form. The tax authorities will:

- calculate the tax risks of the taxpayer and conduct a tax audit if necessary;
- settle tax debts and surpluses in accordance with the legislation;
- collect and keep in the legal entity's file:
 - the decision to liquidate taken by a competent person/body or member, or by order of the court;
 - audit and risk calculation documents;
 - information on the closing of bank accounts; and

- the final balance sheet;
- issue a taxpayer deregistration card;
- review and approve the decision, and submit it to the State Registration Office; and
- notify the taxpayer of deregistration as a taxpayer.

A taxpayer deregistration card will not be issued if the abovementioned activities are not carried out and tax obligations are not fulfilled. The State Registration Office will deregister the legal entity based on the taxpayer deregistration card.

A liquidation balance sheet will then be prepared and approved by the shareholders or their representatives.

Once the claims have been satisfied, the liquidation commission will prepare a final balance sheet and submit it for audit. The final balance sheet will be stamped and certified by the Finance and Treasury Office of the respective district. The following documents must be attached to the application:

- the final balance sheet;
- an audit report;
- the taxpayer deregistration card; and
- a copy of the state registration certificate.

The bank accounts of the legal entity will be closed.

The following documents must be submitted to an archiving company:

- the company's charter, founding resolution, state registration certificate and licences;
- the shareholders' resolution and minutes of the shareholders' meetings;
- the financial statements and auditor's reports;
- primary accounting documents; and
- HR documents

A reference letter on debts and liabilities must also be obtained from the Court Decision Enforcement Agency

The company stamp or seal of the legal entity will be confiscated by the State Registration Office.

The liquidation commission must submit all necessary specific documents to the State Registration Authority. On receipt, the State Registration Office will make an entry in the state registration database within five working days. The legal entity will then be considered deregistered from the state registration and the liquidation shall be completed. The State Registration Office must announce the deregistration of the legal entity from state registration to the public through its website.

The steps in the liquidation process may take place in a different order and other necessary actions may need to be undertaken. Depending on the activities, assets and liabilities of the legal entity, the liquidation process may be delayed or postponed for an indefinite period. Generally, the process takes six months to one year or more.

Moreover, a company may be liquidated by decision of a shareholders' meeting or by a court order under the Company Law. A court will liquidate a company:

- if the company has been declared bankrupt;

- if no shareholders can be located; or
- on the basis of other grounds provided by law.

The board of directors (or, in its absence, the executive body) of a company that is being liquidated by decision of the shareholders must submit a draft of liquidation to the shareholders' meeting for consideration, which provides for:

- the appointment of a liquidation commission;
- the liquidation timeline and procedures; and
- distribution of the company's property among the shareholders once creditors' claims have been satisfied.

The resolution must be approved by an overwhelming majority of votes of shareholders eligible to vote that attend the meeting. Upon appointment of the liquidation commission, the authority of the company's executive body will terminate and will be transferred to the liquidation commission, and the liquidation commission will represent the company in all court hearings. The liquidation commission must redress any losses incurred by the company or its creditors caused by the commission's negligence in the performance of its duties, in accordance with the procedures set out by law.

The Financial Regulatory Committee may also appeal to the court to issue a decision to liquidate a public company:

- if the company has been declared bankrupt;
- if no shareholders can be located; or
- on other grounds provided by law.

	Advantages	Disadvantages
Voluntary dissolution and liquidation	<ul style="list-style-type: none"> • Voluntary dissolution allows for an organised and structured winding-up process, ensuring that the business's affairs are properly settled. • The liquidation process involves the distribution of the business's remaining assets to creditors and shareholders according to their legal rights and priority. • Voluntarily dissolving the business through a formal process provides legal finality, protecting the owners from future liabilities. 	<ul style="list-style-type: none"> • The liquidation process can be time consuming and involve significant administrative and legal costs. • The liquidation process may uncover unexpected liabilities or claims against the business, which can impact the distribution of assets.
Bankruptcy or insolvency proceedings	<ul style="list-style-type: none"> • Bankruptcy or insolvency proceedings can provide relief from overwhelming debts and potentially allow for the restructuring of the business. 	<ul style="list-style-type: none"> • The business may lose control over its assets and operations during the bankruptcy or insolvency process.

	<ul style="list-style-type: none"> • These proceedings may provide legal protections against creditor actions, such as debt collection or lawsuits. 	<ul style="list-style-type: none"> • Bankruptcy or insolvency can have long-term consequences for the business's creditworthiness and future business prospects.
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13.2 What key concerns and considerations should be borne in mind with regard to the termination of business activities in your jurisdiction?

It is crucial to understand and comply with the legal requirements and procedures for business termination in Mongolia. This may involve fulfilling obligations such as:

- notifying relevant authorities;
- filing necessary documents; and
- settling outstanding taxes, debts and liabilities.

Consulting legal professionals or relevant authorities is advisable to ensure compliance with the applicable laws and regulations.

Other key considerations include the following:

- **Contracts and agreements:** Review all contracts, leases and agreements that the business has entered into and assess:
 - the termination provisions;
 - notice periods; and
 - any potential liabilities or obligations upon termination.
- **Consider the necessary steps to:**
 - terminate or transfer contracts;
 - settle outstanding obligations; and
 - minimise potential legal disputes.
- **Employee considerations:** If the business has employees, there are employment laws and regulations to consider. Termination of employment contracts may require compliance with:
 - specific notice periods;
 - severance payments; and
 - other legal obligations.

Consult with legal professionals to ensure compliance with employment regulations and handle employee terminations appropriately.

- **Financial and tax considerations:** Assess the financial implications of business termination, including the settlement of outstanding debts, liabilities and tax obligations. Ensure that all taxes are properly settled and that the necessary tax deregistration procedures are followed. Seek advice from tax professionals to handle tax-related matters appropriately.
- **Intellectual property and data:** Protect and handle IP rights and confidential information appropriately during the termination process. Consider the transfer,

cancellation or other necessary actions related to IP registrations, licences and data protection.

- Assets and liabilities: Evaluate the business's assets and liabilities, including:
 - physical assets;
 - inventory;
 - contracts; and
 - outstanding debts.

Develop a plan for:

- the disposition, sale or transfer of assets; and
- the settlement of liabilities.
- Notification and communication: Communicate the decision to terminate the business to relevant stakeholders – such as employees, suppliers, customers and regulatory authorities – as required by law. Follow the appropriate notification procedures and timelines to ensure a smooth transition and mitigate potential legal and reputational risk.

14. TRENDS AND PREDICTIONS

14.1 How would you describe the current landscape for doing business and prevailing trends in your jurisdiction? Are any new developments anticipated in the next 12 months, including any proposed legislative reforms?

Economic landscape: Mongolia's economy is greatly dependent on its mining industry, which makes a substantial contribution to both gross domestic product and exports. However, the government is striving to enhance economic diversity by attracting foreign investment across various sectors. This approach has led to the emergence of promising industries and noteworthy trends, providing businesses and investors with opportunities beyond mining. According to the data for 2022, the mining sector accounted for:

- 26% of gross domestic product;
- 75% of foreign direct investment; and
- 90% of exports.

These statistics reflect the importance of mining to the Mongolian economy. Numerous expansive mining ventures are operational in the sector, such as the Oyu Tolgoi copper and gold mine – a collaborative effort between the Mongolian government and global mining leader Rio Tinto. Additionally, the mining sector has garnered substantial investments from significant international participants, encompassing entities from China, Canada and Europe. In April 2022, the government launched the Revival Strategy, which outlines plans for improving six important areas:

- ports;
- energy;
- industry;
- urban and rural development;
- green growth; and

- state productivity.

These plans are part of the larger Vision 2050 initiative.

Foreign investment: Key elements of Mongolia’s mining output include copper, gold, coal and iron, which collectively contribute to the nation’s economic landscape. While the mining sector plays a vital role in Mongolia’s economy, the Mongolian government has also been:

- actively promoting foreign investment in other sectors, such as tourism and agriculture; and
- implementing initiatives to promote the diversification of foreign direct investment.

Upcoming revisions to the Law on Investment constitute a significant opportunity to engage in informed discussions and share perspectives on decisions that impact investment activities and safeguard the rights and legal interests of investors. The inclusion of provisions designed to uphold investor rights and legitimate interests – notably the prohibition of unauthorised utilisation of investor funds and income – will further strengthen the protective framework.

The regulations on the equitable treatment of both foreign and domestic investors – including the previous stipulation mandating a minimum investment of \$100,000 for foreign investors – are also being revised.

Recognising that the tax incentives are a highly effective way to attract foreign investment, the Mongolian government has taken a strategic step to promote investment by incorporating tax exemptions and reductions for foreign investors in the revised Law on Investment.

Renewable energy: Mongolia has vast renewable energy potential, including wind and solar resources. The government has been actively promoting renewable energy projects to reduce reliance on fossil fuels and diversify the energy mix. Opportunities exist for businesses involved in renewable energy development, including infrastructure, equipment and project financing.

Sustainable development: Environmental sustainability and responsible mining practices are gaining importance in Mongolia. The government has introduced regulations and initiatives to ensure environmental protection and sustainable resource management. Businesses operating in Mongolia are expected to adhere to these standards and demonstrate their commitment to sustainability.

Infrastructure development: Mongolia’s strategic focus on infrastructure development has gained momentum in recent years, with concerted efforts aimed at transforming its transportation and energy networks. Significant investments have been directed towards modernising Mongolia’s road and railway systems. The construction and renovation of highways and byways have not only enhanced domestic transportation efficiency, but also paved the way for smoother trade corridors with neighbouring countries. The ongoing expansion of railway networks:

- facilitates the movement of goods;
- reduces transportation costs; and
- stimulates trade-related activities.

The expansion and enhancement of transportation and energy infrastructure has significantly improved Mongolia’s regional connectivity, creating conduits for smoother trade and

enabling the efficient movement of goods within the country and beyond its borders. By improving connectivity with neighbouring nations, Mongolia has positioned itself as a key player in regional trade and economic cooperation, which should result in a more integrated and dynamic business landscape.

Tourism potential: Mongolia's unique cultural heritage and vast landscapes are increasingly attracting adventurers and tourists. The government has been focusing on promoting tourism and ecotourism to diversify its revenue streams. The inflow of tourism-related revenue strengthens local economies, stimulates job creation and enhances infrastructure in regions previously untouched by economic development.

15. TIPS AND TRAPS

15.1 What are your top tips for doing business smoothly in your jurisdiction and what potential sticking points would you highlight?

- Conduct comprehensive market research to understand local demand, competition, consumer preferences and trends. Tailor your products, services and marketing strategies to suit the local market, taking account of cultural, economic and demographic factors.
- Maintain high standards of corporate governance, compliance and transparency in your business operations, as stipulated in the Company Law and in the Company Governance Code. Certain procedures may be regulated by administrative normative acts, so relevant provisions should also be borne in mind.
- Consider hiring a reliable local representative, such as a lawyer or business consultant, with a good understanding of the Mongolian business landscape. They can provide valuable guidance, navigate bureaucratic processes and act as a bridge between your company and local stakeholders.

Potential sticking points to be aware of when doing business in Mongolia include the following:

- **Social insurance premiums:** Citizens of Mongolia, foreign citizens and stateless persons employed on a contract basis by all types of economic entities, organisations, civil servants, religious or other organisations and foreign economic entities carrying out activities in Mongolia are subject to compulsory social insurance taxes. Currently, the employer contribution rate is 11.7% plus up to 2.8% of the contribution for industrial accident and occupational disease insurance, where applicable. The employee contribution rate is 11.5% plus up to 1% of the contribution for industrial accident and occupational disease insurance, where applicable.
- **Corruption:** Mongolia has faced challenges relating to corruption in the past. Stay vigilant and conduct business with integrity. Familiarise yourself with local anti-corruption laws and take appropriate measures to ensure compliance.
- **Inefficient bureaucracy:** Dealing with government agencies and bureaucracy can be time consuming and cumbersome. Plan for potential delays and engage local experts who are familiar with navigating administrative processes.

- Limited infrastructure: Infrastructure – particularly outside the capital city, Ulaanbaatar – may be less developed. Consider the logistical challenges that this may pose to your business operations and factor in additional costs or alternative solutions if needed.
- Remote location: Mongolia’s geographical location can pose challenges in terms of transportation, logistics and access to markets. Conduct thorough market research and develop a robust supply chain strategy to overcome these challenges.
- Land ownership and mining regulations: Mongolia’s vast mineral resources attract significant foreign investment, but the legal and regulatory framework surrounding land ownership and mining can be complex. If your business operates in these sectors, seek expert advice to navigate these specific challenges.