

# 03

## SETTING UP A BUSINESS IN MONGOLIA+

Investors are provided with the same conditions when setting up a new business within the territory of Mongolia.

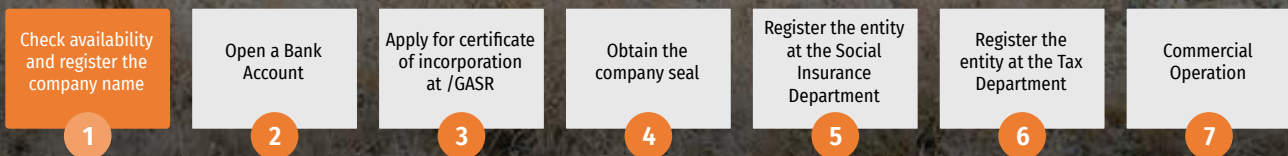
3.1

### ESTABLISHMENT OF LIMITED LIABILITY COMPANY OR JOINT-STOCK COMPANY WITH A FOREIGN INVESTMENT

Figure 2.5

#### KEY STEPS OF INCORPORATION A NEW COMPANY IN MONGOLIA

Below are key steps of incorporation a new company in Mongolia:



## 1. Check availability and register the company name at Legal Entities Registration Office, General Authority for State Registration

A legal representative that has the right to register company under a certain name can submit either in person or online. The company must be formally registered within 30 days after obtaining its name. The following relevant documentation must be submitted:

- The original ID of the founder (original passport if the founder is a foreign citizen) .
- Certification of incorporation via Power of Attorney
- Document processing fee of MNT500 (\$0.14) needs to be remitted to a local bank account

**Duration:** Please allow one business day to processing documentation.

**Cost:** A fee of MNT 500 (\$0.14) is applicable.

## 2. Opening a bank account in Mongolia

A bank account is mandatory for registering a company. Accounts of any commercial banks are applicable.

**Required time:** please allow one business day for processing.

**Cost:** Free of charge

**Required materials:** This varies depending on the bank in question, but expect to have the following documents prepared, either in original copy or notarized copy:

- A formal written request must be made to open a bank account.
- The company's certificate of incorporation. This can either be an original copy or a notarized copy, depending on the bank.
- A certification of the state registration (an original copy or a notarized copy);
- A formal written request to open an account at the Mongolian Central Securities Depository and Bank (applicable for joint-stock companies only).
- Signature and a company seal.
- ID or passport of shareholders
- ID or passport of the Executive Director
- 2 copies of board decision on permitting the possession of a bank account
- A minimum deposit

## 3. Registering a company with foreign investment:

- Fill out UB-03 and UB-12 forms (use the following link <https://shorturl.at/bxFKZ>)
- Either visit the registration office of Mongolia in person or send a digital request using the following link "<https://www1.e-mongolia.mn>".

### Service fee:

- Name verification - MNT 10,000 (\$2.9)
- Stamp duty - MNT 750,000 (\$217.20)
- Fee for - MNT 10,000 (\$2.9)

- A receipt confirming payment of state stamp duty (a MNT 750,000 (\$217.20) is applicable, payable to account number 14 01 00 26 49 at Golomt Bank).

## A company must be registered to the registration office within 30 days of name confirmation. The following documents are required for registration:

- Written confirmation of the founders' decision
- If the company has a board of directors, each of the member's registration number, first and last name are required.
- Two copies of the company's charter
- Passport copies of the founders, executive directors, and board members.
- Copies of the certificates of properties and lease agreements
- Minimum amount of investment from foreigners shall be no less than \$100,000
- A bank statement, account statement and customs declaration confirming the transfer of funds from foreign investors.
- Proof of payment for services related to registration of legal entity.

## 4. The following documents are required to extend the duration of operations of a company with foreign investment.

- UB-03 form (Use the following link to download the form <https://shorturl.at/eqZ26>)
- Receipt of stamp duty payment:
- Service fee - MNT750,000 (\$217.20)
- Renewal of the certificate of incorporation - MNT 88,000 (\$25.50)

Additionally, the establishment of companies is available online. Log in to the "e-Mongolia" system, go to the "ESTABLISHMENT OF A LEGAL ENTITY" section from the "HELP TO CREATE A BUSINESS" menu, and get a set of services and information on the establishment of a legal entity. These include:

- Verification of the name assigned by the legal entity
- Establishment of a new limited liability company
- Establishment of a new joint venture
- Establishment of a new association
- Application for change in executive director of the legal entity
- Application for changing the address of the legal entity
- Application for changing the operational field of the legal entity
- Application for changing the name of the legal entity
- Reissuance of state registration certificate of legal entity
- Electronic certificate of state registration of legal entity

If you seek to start a company in Mongolia, please refer to the following link for more information.

<https://shorturl.at/jAGIN>

Please refer to the following link for video instructions.

<https://youtu.be/jkohlmg7w8U>

## 3.2

# PERMISSION FOR THE FOREIGN STATE-OWNED LEGAL ENTITY

**A foreign state-owned company with an intent to purchase 33% or higher stake of a Mongolian company operating in the following sectors shall request a permission from an authorized agency in charge of investment affairs:**



"A foreign state-owned legal entity" refers to a legal entity where 50% or of its shares is directly or indirectly owned by a foreign country's government.



Below is a comprehensive list of documents to be attached with the application:  
 List of documents required for the state-owned foreign legal entity to invest in Mongolia:

Table 2.4

## DOCUMENTS TO BE ATTACHED TO THE APPLICATION FOR PERMISSION

Nº	Document	Check Box
1	Official request for permit of the applicant (To be addressed to the state administrative body in charge of investment or the National Development Agency)	
2	Notarized copies (within the last 3 months) of the certificate of incorporation of the applicant and issued by the recognized authority of the applicant's country.	
3	References of the registration authority concerning the applicant, shareholders, and executive directors of the last two years	
4	Description of business activities and shareholders	
5	Business plans and projects to be implemented in Mongolia (both the original documents and their copies)	
6	Transaction history between the foreign state-owned company and Mongolian company. Information regarding the business operations of the foreign business entity, amount of shares to be transferred, shareholding percentage, investment amount, and the charter of the legal entity. Any changes to the management team of the Mongolian company shall be notified as well.	
7	Financial reports and clarifications to financial statements of the foreign state-owned legal entity and the Mongolian business entity (both original and copies) /to be audited/	
8	Full contact details	





### 3.3

## ESTABLISHMENT OF REPRESENTATIVE OFFICE OF A FOREIGN LEGAL ENTITY

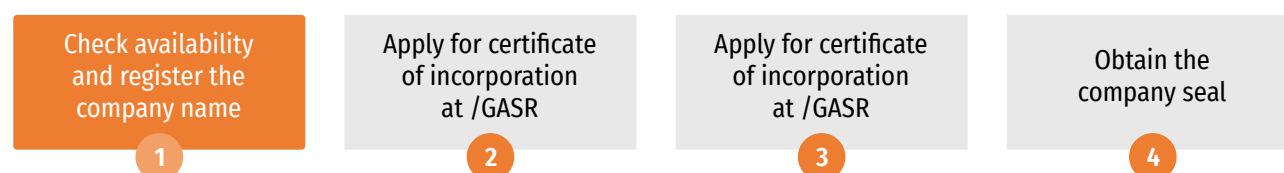
**A foreign legal entity, apart from the foreign government organization, a limited liability partnership and foreign non-governmental organization may establish a representative office within the territory of Mongolia.**

Please note that a representative office shall not be deemed a legal entity. As indicated earlier, it is prohibited for a representative office to carry out any commercial activities for the commercial purposes within the territory of Mongolia.

Below is a summary of the key steps of establishment of a representative office of a foreign entity in Mongolia:

Figure 2.6

### KEY STEPS OF ESTABLISHMENT OF A REPRESENTATIVE OFFICE OF A FOREIGN ENTITY IN MONGOLIA



#### List of documents needed for setting up a representative office of a foreign legal entity in Mongolia:

- UB-11 form
- Receipt of payment of state stamp duty MNT1,100,000 (\$319.40) to be paid to the following account number at Golomt Bank 14 01 00 26 49
- Introduction and rule copy of foreign legal entity /certified translation/
- Foreign legal entity certificate copy. /Certified translation/
- Authentic verdict and regulation from parent company to establish representative office
- Regulations /1 copy/ must have to phone number and official address
- Passport copy
- Official address of Representative office /certificate of immovable property (copy) or leasing contract /
- Other documents according to 11.5.1 and 11.5.2 of Law on state registration if necessary
- Remark: in case it is concluded in foreign country, the contract to sell share, buy share, and endow must be denoted by Embassy and Consul notary or Apostille
- Proxy, /not necessary if official to represent without proxy/

#### Extending the duration of operations of a foreign representative office:

- Fill out the UB-04 form. (Use the following link <https://burtgel.gov.mn/service/index.php/les-newlist/download>)
- Service fee - MNT 750,000 (\$217.20)
- Written confirmation of the decision on establishing the representative office
- A reference letter from the tax authority of Mongolia
- Documents need to be translated to Mongolian
- If the documents are issued in a foreign country, an apostille confirmed by Mongolian consul or diplomatic office

## 3.4

# LISTING ON THE MONGOLIAN STOCK EXCHANGE

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The legal entity listed on a foreign stock exchange is allowed to request a dual-listing and issue securities at the Mongolian Stock Exchange.

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Although trading volumes and capital in circulation are still low, the Mongolian Stock Exchange has the highest growth rate among the developing countries. The number of national citizens interested in the stock market increased rapidly in recent years and the number of people with securities accounts reached 72% of the total population. The Top-20 Index, the benchmark of the MSE, jumped 130% in 2021 alone. Being publicly listed at the MSE provides a unique opportunity for companies to receive wide public support from the locals as well as promote their operations to the broader public.

**To submit a request for dual-listing, the following documents must be delivered to the Financial Regulatory Commission, along with their Mongolian translations:**

1. Securities registration application
2. Proof of legal entity
3. Receipt of payment of regulatory service fees and state stamp duties
4. Minutes of a shareholders meeting, or an authorized person's written resolution on issuing securities
5. Copy of the certificate of incorporation
6. Audited year-end financial statements of the previous year
7. Legal assessment carried out by a law firm

**The profile of the legal entity shall include the following:**

1. Name of the legal entity, postal address of the place of residence, and description of operations
2. Legal entity's country of origin, name of the initially listed exchange, type of entity, as well as amount and date of issuance of the securities listed at the exchange
3. Amount, type, and value of securities issued in Mongolia, as well as the terms of the initial public offering (IPO)
4. The organizational structure of the legal entity in question and information regarding the authorized official
5. Information regarding the amount, type, and value of previously announced issued and repurchased shares
6. Audited year-end financial report of the previous year
7. Information on sources and links to the public about the relevant entity and the contract made with that entity
8. Information regarding any allocation of dividends
9. Rights, obligations, and securities convertible into shares to be certified by securities offered to the public, and information on the terms and procedures for converting the securities into shares
10. Expenditure plan of the capital to be raised by issuing securities in Mongolia
11. Information that presents the viewpoint of the entity's management on potential risks to the operations and risk management.
12. Discrepancies between the laws and regulations of the initially listed country and Mongolia, and potential risks to securities holders and regulation that allows them to implement their rights

If the legal entity is not listed in other stock exchanges, this legal regulation will be considered inapplicable.

**Buying the equity of Mongolian companies as a foreign investor**

Except for real estate, local and foreign investors both share the same rights in creating, buying, transferring, and possessing properties, equities, land, private entity, and movable assets, as well as convertible securities. There is no general limitation on foreign ownership that would take over assets.

When purchasing the entire stock or control package of a company voluntarily, or when buying the shares of a company that exceeds its control package, the "Procedures for Issuing and Purchasing Shares of a Joint-Stock company" approved by the Financial Regulatory Commission shall be followed.

According to the procedure, the purchaser shall announce the information to the commission, to the MSE, to the Central Securities Depository, and to the public all at the same time. Once the offer expires, the buyer shall prepare a report on the purchase of shares within 5 business days to the commission.