

## LAW OF MONGOLIA

Date: ..... 2023

Ulaanbaatar

### ON INVESTMENT

/Draft revision/

### CHAPTER ONE GENERAL PROVISIONS

#### **Article 1. Purpose of the law**

1.1. The purpose of this Law is to regulate relations pertaining to the promotion of the economic development of Mongolia through supporting investment, protection of the legal rights and interests of investors, establishment of guarantee for investment, provision of tax and non-tax incentives for investors, determination of rights and duties of investors, and establishment of authorities and responsibilities of government institutions in regard to maintaining and protection of investment within the territory of Mongolia.

#### **Article 2. Legislation on investment**

2.1. Legislation on investment shall consist of the Constitution of Mongolia, the Civil Code, the Law on Company, the General Law on Taxation of Mongolia, this Law and other legislative acts enacted in conformity therewith.

2.2. If an international treaty to which Mongolia is a party provides otherwise, provisions of the international treaty shall prevail.

#### **Article 3. Scope of the Law**

3.1. This Law shall apply to investments which are made by investors within the territory of Mongolia.

3.2. Investors shall be permitted to make investments in all industries, manufacturing, and services unless specifically prohibited by laws and regulations of Mongolia.

3.3. Foreign state-owned legal entity shall be permitted to make investment based on authorization as specified in Clause 25.1 of this Law.

3.4. Investors shall be eligible to conduct operations in Mongolia after registering with the state registration authorities pursuant to the provisions of the Law on Company, Law on State registration of legal entities, and other relevant laws and regulations.

3.5. This Law shall not apply to investments made from the state or local budget to public institutions and state-owned legal entities, pursuant to the Law on Procurement of Goods, Works, Services with State and Local Funds.

3.6. This Law shall not apply to donations and grants by international or non-governmental organizations, private enterprises, and individuals granted on non-commercial terms.

#### **Article 4. Definition of terms of the Law**

4.1. Terms used in this Law shall have meanings as follows:

4.1.1. "investment" shall mean tangible and intangible assets attributed to the share capital and reflected in financial statements of business entities established for profit generating purposes within the territory of Mongolia;

4.1.2. "investor" shall mean a foreign or a domestic investor that make an investment in Mongolia in a manner specified in this Law;

4.1.3. "domestic investor" shall mean a legal entity or individual registered in Mongolia (a Mongolian citizen, or a foreign citizen or a stateless person who immigrated to and obtained a resident status in Mongolia) that makes an investment;

4.1.4. "foreign investor" shall mean a foreign legal entity or an individual registered in a foreign state (a foreign citizen or stateless person, or a Mongolian citizen residing permanently in a foreign country) that makes an investment in Mongolia;

4.1.5. "business entity with foreign investment" shall mean a taxpaying entity that is established under the laws of Mongolia with 25 or more percent of its capital shares owned by a foreign investor, and the entity's subsidiary, affiliate, or company group;

4.1.6. "representative office of a foreign business entity" shall mean an entity without legal entity status which is established in Mongolia by a foreign legal entity for the purpose of official representation on an authorized basis;

4.1.7. "foreign state owned legal entity" shall mean a legal entity, where 50 and more percent of its shares is directly and indirectly owned by a foreign state;

4.1.8. "investment project" shall mean a plan of investment activities as specified in this Law to be undertaken for profit-generating purposes;

4.1.9. "investment promotion" shall mean tax and non-tax incentives for investors to be provided by the government;

4.1.10. "Investment agreement" shall mean an agreement executed in written form between an investor satisfying the requirements stipulated in Article 24 of this Law and the Government, that is intended to establish, modify, and terminate rights and obligations of the parties;

4.1.11. "stabilization of tax rate and amount" shall mean stabilization or reduction of tax rates as specified in Clause 17.1 of this Law for holders of tax stabilization certificates for the duration of the certificate validity;

4.1.12. "tax rate and amount stabilization certificate" shall mean a certificate /refers to as "stabilization certificate/ issued by authorized institution for the purpose of

stabilizing the tax, payment rate and amount for investor legal entity that meets the criteria specified in Clause 20.1 of this law;

4.1.13. "Stabilization certificate holder" shall mean a legal entity registered in Mongolia, which was issued a stabilization certificate as specified in this law;

4.1.14. "investor complaint" shall mean an request by an investor submitted pursuant to Article 21 of this Law with the purpose of protecting his/her legal rights and interests in relation to actions or omissions by government institutions and officials;

4.1.15. "investment dispute" shall mean any dispute in relation to investment made by an investor that may arise between a state institution and an investor;

## **Article 5. Forms of Investment**

5.1. Investments shall be in following forms:

5.1.1. establishment of a new company by an investor either solely or jointly with other parties;

5.1.2. investor's purchase of shares, bonds and other types of securities;

5.1.3. to invest by consolidating or merging companies;

5.1.4. enter into a public-private partnership or concession agreement, production-sharing agreement, marketing or management agreement or other contracts;

5.1.5. investments in a form of a financial lease or franchise;

5.1.6. investment in monetization of intellectual property rights pursuant to relevant laws and regulations;

5.1.7. issuance by a foreign investor of a convertible debt to his/her own invested enterprise in Mongolia; and

5.1.8. any other forms of investment which are not prohibited by law.

## **CHAPTER TWO INVESTMENT GUARANTEE**

### **Article 6. General investment guarantee**

6.1. The state and its authorized bodies shall provide the following legal guarantees to investors:

6.1.1. Ensure protection of rights and legitimate interests of an investor guaranteed by the international treaties on the basis of non-discrimination.

6.1.2. If legal rights and legitimate interests of an investor are violated due to unlawful acts or demands, actions or omissions by government institutions or officials,

the rights and legitimate interests of an investor shall be protected, and any losses suffered shall be indemnified pursuant to relevant laws and regulations.

6.1.3. The state and its authorized bodies shall protect intellectual property rights and the rights of the intellectual property right holder, pursuant to applicable laws.

6.1.4. Unless otherwise specified in the law and international treaties ratified by Mongolia, right to arbitration shall be provided for investment disputes arising between investors and government organizations as mutually agreed upon by the parties.

6.2. The state and its authorized bodies shall provide the following economic guarantees to investors:

6.2.1 The government shall provide an investor with a guarantee of ensuring the stability of the tax rate by issuing a stabilization certificate to the investor or by entering into an investment agreement with the investor as specified in this law.

6.2.2. It is prohibited to illegally confiscate assets of an investor in the territory of Mongolia.

6.2.3. Properties of the investors may be mobilized only for the public interest and on the condition of full compensation of the mobilized properties in accordance with the procedures specified in the law.

6.2.4. Unless otherwise provided in international treaties to which Mongolia is a party, compensation for the mobilized assets as specified in Section 6.2.3 of this Law shall be evaluated at the market rate of the assets when it was mobilized or notified to the investor or to the public, and shall be paid together with the price.

6.2.5. On the basis of fully fulfilling the obligation to pay taxes in the territory of Mongolia, an investor shall have the right to transfer the following assets and income to foreign countries without being obstructed:

6.2.5.a. profits of business activities and dividends;

6.2.5.b. income and fees collected from operations described in Clause 5.1 of this Law;

6.2.5.c. principal and interest payments on loans obtained from overseas;

6.2.5.d. an investor's share of residual assets after liquidation of a business entity;

6.2.5.e. other assets gained or owned legally; and

6.2.5.f. compensation stipulated in section 6.2.4. of this Law.

6.2.6. When an investor is transferring its assets and income out of Mongolia as specified in Section 6.2.5 of this law as a monetary asset, the investor shall be entitled to convert into any international freely convertible currency, of his/her own choice, unless otherwise not specified in the law.

## **CHAPTER THREE RIGHTS AND OBLIGATIONS OF INVESTOR**

### **Article 7. Rights of investor**

7.1. Investors shall have the following general rights:

7.1.1. to make investments, independently select forms and amount of investment and region to invest, and to make relevant investment decisions solely and independently;

7.1.2. to make investments into one or more sectors, projects, productions and operations;

7.1.3. to import goods, works and services from abroad within the framework of the investment project implementation, and to export produced goods, works and services;

7.1.4. to satisfy own foreign currency needs by purchasing or selling foreign currencies through banks and non-banking financial institutions registered in Mongolia;

7.1.5. to dispose of their own assets and to transfer to and receive from abroad its lawful revenue and profits;

7.1.6. to manage or participate in the management of the invested business entity or to transfer own rights and obligations to other persons pursuant to relevant procedures;

7.1.7. to make requests for financing, loans, assistance, and for the use of land and natural resources; and to get such requests resolved;

7.1.8. to submit petitions to authorities or file to court where legal rights and legitimate interests are violated due actions or omissions by government institutions;

7.1.9. to receive state services freely and equally;

7.1.10. to obtain open access information on investment as specified in applicable laws from relevant government institutions; and

7.1.11. other rights as stipulated in legislations.

### **Article 8. Obligations of investor**

8.1. Investors shall have the following general duties in addition to their basic duties to conduct their business operations in accordance with legislation of Mongolia:

8.1.1. to ensure that their manufactured products, works performed and services provided comply with Mongolian laws and international standards;

8.1.2. to conduct financial accounting in accordance with the Mongolian laws and international standards;

8.1.3. to provide the tax authorities and other government institutions carrying out their functional mandates with the required information as requested and within specified timeframes;

8.1.4. to conduct investment activities that respect the interests of consumers, are friendly to the environment, and support human development;

8.1.5. to pay social and health insurance premiums of their employees in accordance with applicable legislation;

8.1.6. to improve knowledge, experience, and professional skills of their employees, to focus on improvement of management style and to introduce principles of good corporate governance practices;

8.1.7. to respect the national heritage, customs and traditions of Mongolia;

8.1.8. to ensure investment is real;

8.1.9. to introduce good environmental, social and governance practices and approaches; and

8.1.10. such other obligations as stipulated in the applicable laws

## **CHAPTER FOUR POWER OF THE STATE BODIES ON INVESTMENT**

### **Article 9. Powers of the Cabinet**

9.1. The Cabinet shall exercise the following powers with respect to investment:

9.1.1. to formulate and implement the integrated investment policy;

9.1.2. to grant the right to enter into an investment agreement specified in this Law;

9.1.3. to make decisions pertaining to protection of legitimate rights and interests of investors.

9.2. The Cabinet shall approve and enforce regulations and procedures as specified in the Clauses 24.10 and 28.6 of this Law.

### **Article 10. Powers of the State central Administrative Body in Charge of Investment affairs**

10.1. The state central administrative body in charge of investment affairs shall exercise the following powers:

10.1.1. to ensure and oversee implementation of the legislation on investment;

10.1.2. to develop proposals for investment policies, investment support and measures, and present them to the Cabinet for decision;

10.1.3. to provide directive to government organizations on investment promotion, investment guarantees, and protection of investor interests;

10.1.4. to issue stabilization certificates and oversee their implementation;

10.1.5. to issue operational permits to foreign state-owned legal entities;

10.1.6. to collect reports and information from relevant government institutions for the purpose to carry out the functional mandate stipulated by this Law;

10.1.7. to formulate the regulation specified in the Clause 9.2 of this Law; and

10.1.8. such other powers as provided by law.

10.2. The Member of the Cabinet in charge of investment affairs shall approve and enforce regulations and procedures specified in Section 11.1.7 and Clause 27.6 of this Law.

### **Article 11. Responsibilities of State Administrative Body in Charge of Investment affairs**

11.1. The state administrative body in charge of investment affairs shall exercise the following powers:

11.1.1. to plan and implement comprehensive action plans to attract investment;

11.1.2. to promote investment legal environment and favorable domestic market opportunities to investors;

11.1.3. to support investors in investment planning and maintaining its investment;

11.1.4. to provide necessary support and services to protect legitimate rights and interests of investors;

11.1.5. to provide advice to investors on the services by other government agencies with regard to investment and to provide electronic one stop services;

11.1.6. to develop and ensure readiness of investment seeking projects, to advice on attract investment and to establish project data base;

11.1.7. to collect following investment related data on quarterly, semi-annual and annual basis from the Central bank and central and state administrative bodies in charge of budget, finance, labor, taxation, customs, social insurance, registration, immigration, land affairs, free zones, and judicial affairs and issue integrated investment statistics;

11.1.8. such others provided by law.

### **Article 12. Responsibilities of other state bodies on investment**

12.1. To ensure the implementation of laws and regulations on investment and relevant Cabinet decisions and timely submit necessary information to central and state administrative bodies in charge of investment affairs.

12.2. The authorized institution legally mandated to carry out inspection shall execute without duplication and overlap when planning state inspection activity on investor's operation.

12.3. The number of state inspection activities to investor entities shall not be more than twice a year.

### **Article 13. Powers of local government and local self-governing body on investment**

13.1. Local governments and self-governing bodies shall organize the enforcement of laws and regulations on investment and the implementation of related government decisions in their jurisdictional territories in accordance with the Law on Administrative and territorial units and their governance.

13.2. Local governments and self-governing bodies shall support legal entities which have signed Investment agreements and/or been granted stabilization certificates to carry out its investment project in their jurisdictional territories, furthermore, to submit reports and information to central and state administrative bodies in charge of investment affairs timely.

### **Article 14. Powers of the Diplomatic missions to support investment**

14.1. Mongolian Diplomatic missions abroad shall carry out promotion of Mongolia's investment law and legal environment, domestic market conditions, and investment-seeking projects and programs.

14.2. The procedure for implementing the functions of the diplomatic mission specified in Article 14.1 of this law shall be jointly approved by the members of the Cabinet in charge of investment and foreign relations.

## **CHAPTER FIVE INVESTMENT PROMOTION**

### **Article 15. Tax incentives for investment**

15.1. The following type of tax incentives shall be granted to investors:

15.1.1. deferral of corporate income tax obligations by up to three years;

15.1.2. stabilization of tax rates for business entities which obtained Stabilization certificates or concluded Investment agreements;

15.1.3. use simplified method to calculate depreciation to be deducted from the taxable revenue;



15.1.4. classification of employee professional education and training expenses as deductible expenses from taxable income;

15.2. Tax incentives for investors specified in Clause 15.1 of this law shall be regulated by tax legislation.

## **Article 16. Non-tax incentives for investment**

16.1. The following types of non-tax incentives may be granted to investors:

16.1.1. to grant land use rights up to 60 years based on contract, and extend one time for up to 40 years with same term with initial contract;

16.1.2. to promote the investors that will carry out activity in free zones, industrial and technology parks and to serve with simplified regime of registration and checkpoint;

16.1.3. to increase quotas for foreign workforce eligible to work in Mongolia and to exempt from workplace payments;

16.1.4. to support with information, advice and obtaining necessary permits in relation to investment project implementation;

16.1.5. to support implementation of innovation projects and export-oriented innovative product manufacturing;

16.1.6. to grant multi-entry visas and permanent resident permits to foreign investor, his/her family members who invested in Mongolia; and

16.1.7. other incentives as provided by law.

16.2. Non-tax incentives for investment shall be subject to this law, Law on land, Law on free zone, Law on legal status of industrial technology park, Law on legal status of foreign citizen, Law on labor migration, Law on innovation and other relevant legislation.

## **CHAPTER SIX STABILIZING THE INVESTMENT ENVIRONMENT**

### **Article 17. Stabilization of tax rate and amount**

17.1. The rate and amount of taxes to be paid by the legal entity, who is to implement an investment project, shall be stabilized by issuing stabilization certifications to the entity specified in Article 17.5 of this law.

17.2. The stabilization certifications shall become effective from the date of their issuance and the tax rate and amount shall be stabilized during the entire period of validity of the stabilization certifications.

17.3. Stabilization of the tax rate and amount shall be regulated only as specified in this law and the investment agreement specified in this law.

17.4.If there is an amendment made in the tax legislation to reduce the rate or amount of taxes and payments specified in Article 18.1 of this Law during the validity period of the stabilization certification, the legal entity holding the stabilization certification shall be subject to the amendment, however if there is a change to increase it, it shall not be subject to the amendment.

17.5.The stabilization certification shall be issued to the following investors depending on the organization form of the implementation of investment project:

17.5.1.if the investment project is to be implemented solely by one legal entity, the stabilization certification shall be issued to that legal entity;

17.5.2.if the investment project is to be implemented by two or more related legal entities, to their parent company.

17.6.Tax rates and amount for the production, import and sale of tobacco and alcohol shall not be stabilized.

### **Article 18. Types of tax to be stabilized**

18.1. The rates of the following tax, fees shall be stabilized during the valid period of Stabilization certificate:

18.1.1. corporate income tax;

18.1.2. customs duty;

18.1.3. value-added tax; and

18.1.4. royalty for the use of mineral resources.

18.2. The stabilization specified in Section 18.1.4 of this law issued for the purpose of using the main mineral deposit shall not include royalties for mineral products extracted from derivative deposits.

### **Article 19. Stabilization certificate**

19.1.The template of the stabilization certification shall be approved by the member of the Cabinet in charge of investment affairs.

19.2.The following information shall be reflected in the stabilization certification:

19.2.1.name and address of the stabilization certification holder legal entity;

19.2.2.state registration and registration number of the stabilization certification holder legal entity;

19.2.3.name, state registration number and registration number of the legal entity specified in Article 17.5.2 of this law;

19.2.4.name of the investment project to be implemented;

19.2.5.date of issuance and validity term of the stabilization certification;

19.2.6.rates of tax and fees specified in Clause 18.1 of this law.

19.3.It is prohibited to sell, pledge or gift a stabilization certification.

19.4.When the legal entity holding the stabilization certification is reorganized in the forms of consolidation, merger, or reforming, the stabilization certification shall be transferred to the newly established or successor legal entity if the following requirements are met:

19.4.1.if the legal entity continues the investment project;

19.4.2.if the investment project meets the criteria specified in Article 20.1 of this law.

### Article 20. Criteria and duration for issuing a stabilization certificate

20.1. Stabilization certificate shall be issued to the legal entity whose project is to be implemented in Mongolia and meets the following criteria:

20.1.1.the total investment amount specified in the business plan and the technical and economic feasibility study reached the amount specified in Clauses 20.2 and 20.3 of this law;

20.1.2.to be completed the environmental impact general assessment if required by law;

20.1.3.to create stable workplaces;

20.1.4.to introduce advanced technology.

20.2. Stabilization certificate shall be issued to the following sectors with the period stated below:

20.2.1.to the mining extraction, heavy industry, and infrastructure sector:

investment amount /billion tugriks/	Stabilization certificate period /years/					Investment completion period /years/
	Ulaanbaatar region	Central region / Govisumber, Dornogobi, Darkhan-Uul, Umnugobi, Selenge, Tuv/	Khangai region /Arkhangai, Bayankhongor, Bulgan, Orkhon, Ovorkhangai, Khuvsgul/	Eastern region /Dornod, Sukhbaatar, Khentii/	Western region /Bayan-Olgii, Govi-Altai, Zavkhan Uvs, Hovd/	
30-100	5	6	6	7	8	2
100-300	8	9	9	10	11	3
300-500	10	11	11	12	13	4
Above 500	15	16	16	17	18	5

20.2.2.to other sectors except the sectors specified in Article 20.2.1 of this Law:

Investment amount /billion MNT/		
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Ulaanbaatar region	Central region /Govisumber, Dornogobi, Darkhan-Uul, Umnugobi, Selenge, Tuv /	Khangai region /Arkhangai, Bayankhongor, Bulgan, Orkhon, Ovorkhangai, Khuvsgul/	Eastern region /Dornod, Sukhbaatar, Khentii/	Western region /Bayan-Olgii, Govi-Altai, Zavkhan Uvs, Hovd/	Stabilization certificate issuance period /years/	Investment competition period /years/
10-30	10-up to 15	10-up to 12	10-up to 12	2-up to 8	5	2
30-100	15-up to 50	12-up to 40	12-up to 30	8-up to 25	8	3
100-200	50-up to 100	40-up to 80	30-up to 60	25-up to 50	10	4
Above 200	Above 100	Above 80	Above 60	Above 50	15	5

20.3. The validity period for stabilization certificate specified in Article 20.2 of this law shall be issued 1.5 times longer for the investors who are to implement the following projects:

20.3.1. to produce import substitute and export-oriented products, which are significant to long term sustainable development of the socio-economic sector of Mongolia, estimated to invest more than MNT 500 billion according to the Central Bank official rate as of the date of approval of the technical and economic feasibility study and requires more than three years of construction works, regardless of any location and sector;

20.3.2. the investor legal entity in conformity with the criteria specified in Article 20.1 of this law conducts value added processing industry and exports its basic products.

20.4. The investment completion period shall be considered commencing from the issuance date of the stabilization certificate.

20.5. The legal entity that holds stabilization certificate may request the state central administrative body in charge of investment affairs to extend investment completion period specified in Clause 20.2 of this law; and if the request is deemed well-grounded, the period may be extended for two years.

## **Article 21. Applying for stabilization certificate**

21.1. An investor legal entity in conformity with the criteria specified in Clause 20.1 of this law may apply for a Stabilization certificate to the state central administrative body in charge of investment.

21.2. The following documents shall be enclosed with the request for stabilization certificate:

21.2.1. a statement by the applicant regarding its satisfaction of the criteria specified in the Clause 20.1 of this law;

21.2.2. introduction of the applicant legal entity, the state registration certification, if specified in the law, a copy of the documents of a permit issued by a competent authority;

21.2.3. information on the introduction of new high technology;

21.2.4.if provided by law, the general environmental impact assessment;

## **Article 22. Issuing stabilization certificate**

22.1.The state central administrative body in charge of investment shall decide whether to issue a stabilization certificate based on the criteria provided by law within 30 days after electronically receipt of the request for Stabilization certificate.

22.2.If the state central administrative body in charge of investment decides to issue the stabilization certificate, it shall write the related information on the Stabilization certificate and issue the certification to the project-implementing legal entity registered in Mongolia.

22.3.In case if the investment project does not meet the criteria specified in Clause 20.1 of this law or the submitted documents are incomplete, the state central administrative body in charge of investment shall deliver electronic response on rejection of issuance of the Stabilization certificate with the relevant reasons within the term specified in Clause 22.1 of this law to the investor.

22.4.The state central administrative body in charge of investment shall amend the Stabilization certificate at the request of the legal entity holding the stabilization certification for each amendment in the information specified in Clause 19.2 of this law.

## **Article 23. Revoking a stabilization certificate**

23.1.The state central administrative body in charge of investment affairs shall revoke the Stabilization certificate with the following grounds:

23.1.1.the validity period of the stabilization certificate has expired;

23.1.2.if the stabilization certification holder has requested or is liquidated;

23.1.3.if the stabilization certification holder has completely withdrew and transferred its investment in Mongolia out of the territory of Mongolia;

23.1.4.if it is established that the stabilization certificate holder obtained the stabilization certificate by submitting illegal documents;

23.1.5.if the right successor does not meet the requirements specified in Clause 19.4 of this law;

23.1.6.if violated Clause 19.3 of this Law;

23.1.7.if it is established that a foreign state-owned entity was not issued with the permit specified in Clause 25.1 of this law;

23.1.8.the stabilization certificate holder did not invest withing the term specified in Clause 20.2 of this law;

23.1.9.the stabilization certificate holder has entered into an investment agreement.

23.2.The state central administrative body in charge of investment shall inform its decision to revoke the stabilization certificate specified in Clause 23.1 of this law within five business days to the stabilization certification holding legal entity and to the state administrative body in charge of taxation.

## **Article 24. Investment agreement**

24.1. The Government may enter into an investment agreement with the investor who is to invest more than MNT 500 billion at the investor's request for stabilizing the environment of its operation.

24.2. Stabilization certificate holders investing amount specified in Clause 24.1 of this Law may enter into an Investment agreement with the Government by submitting a request.

24.3. Requests to establish Investment agreements shall be submitted by investors to the State central administrative body in charge of investment affairs.

24.4. The State central administrative body in charge of investment affairs shall receive and review the applications, and in case of absence of any refusal grounds, then shall present a proposal to the Cabinet for approval of inviting the applicant to the negotiations of the Investment agreement conditions.

24.5. A joint order by the Members of the Cabinet in charge of investment and investment recipient sector affairs shall be issued to appoint the working group responsible for negotiating the provisions of the Investment agreement and to start the negotiation process.

24.6. Once the draft Investment agreement is mutually agreed through negotiations by the parties, the Member of the Cabinet in charge of investment affairs shall present it to the Cabinet discussion.

24.7. If the draft agreement is approved by the Cabinet, the Member of the Cabinet in charge of investment affairs shall, upon receiving a written authorization by the Prime Minister of Mongolia, conclude the signing of the Investment agreement with the applicant investor.

24.8. The term of the Investment agreement shall not be lower than duration specified in Clauses 20.2 and 20.3 of this law, considering the investment purpose, main operation, investment amount, source, investment period and phases.

24.9. Mandatory provisions to be included in the Investment agreement are: investment purpose, amount, modality, completion date, scope of government support, guarantees, rights and responsibilities of parties to the agreement, scope of collaboration, applicable laws, and dispute resolution.

24.10. Procedures for submitting requests for Investment agreement, conducting negotiations, eligibility criteria, Investment agreement signing, regulation on monitoring, and the template of Investment agreement shall be approved by the Cabinet.

24.11. Foreign state-owned legal entity, upon obtaining of an approval specified in Clause 25.1 of this Law, may submit a request for Investment agreement.

## **CHAPTER SEVEN INVESTMENT BY A FOREIGN STATE-OWNED LEGAL ENTITY**

## **Article 25. Investment by foreign state-owned legal entity**

25.1. A foreign state-owned legal entity holding 33 or more percent of equity shareholding in a Mongolian legal entity operating in the sectors listed below, shall obtain permission:

25.1.1. mining;

25.1.2. banking and finance; and

25.1.3. media and communication.

## **Article 26. Requesting for a permit and deciding the request**

26.1. A legal entity specified in Clause 25.1 of this law shall request for a permit to the state central administrative body in charge of investment directly or through a representative office and authorized representative in Mongolia and shall enclose the following documents to the request:

26.1.1.a notarized copy of the certification of incorporation of the applicant issued by a competent authority of the applicant's country;

26.1.2.references from the registration authority concerning the applicant, its common interested persons, the executive management of the entity specified in Clause 26.1 of this Law, that covers the last two years;

26.1.3.the preliminary transaction between a foreign state-owned entity and a Mongolian entity, its type and conditions, the parties to the transaction, shares to be sold percentage of shareholding, contract price, the charter of the legal entity, and if there is an agreement on changing the management, the information concerning to it;

26.1.4.financial statements and clarifications to financial statements of the foreign state-owned legal entity and the Mongolian business entity;

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

26.2.The documents specified in Clause 26.1 of this law shall be in Mongolian language.

26.3.The state central administrative body in charge of investment may demand required documents other than those specified in Clause 26.1 of this law from the applicant while reviewing the submitted application documents.

26.4.The state central administrative body in charge of investment shall receive the application that meets the requirements specified in Clause 26.1 of this law and review whether the following situations may occur:

26.4.1.whether any of the investor's activities or investment natures are contrary to the concept of National Security of Mongolia;

26.4.2.whether the applicant meets the conditions to adhere to legislation and the established business norms of Mongolia;

26.4.3.whether the investment has a nature to restrict competition in the relevant sector or create dominance in the sector;

26.4.4.whether the investment has a serious and adverse impact on the budget revenue and other policies and activities of Mongolia.

26.5.The state central administrative body in charge of investment may obtain opinions and conclusions from relevant organizations when verifying whether the circumstances specified in Clause 26.4 of this Law have occurred. In this case, the organization shall study the issue within 30 days and submit its opinion and conclusion, and if it is not submitted within that period, it shall be deemed as not having a special opinion.

## **CHAPTER EIGHT MONITORING OF INVESTMENT ACTIVITIES**

### **Article 27. Monitoring of Investment agreement and stabilization certificate implementation**

27.1. The state central administrative body in charge of investment affairs shall monitor the implementation of Investment agreements and Stabilization certificates and conduct assessment on investment activities and financial statements.

27.2. Investors shall submit to the state central administrative body in charge of investment affairs their operational reports and audited financial statements specified in Clause 27.1 of this Law before 1 April of each year.

27.3. Monitoring and assessment works described in Clause 27.1 of this Law may be conducted jointly with relevant government institutions.

27.4. The state central administrative body in charge of investment affairs shall monitor the implementation of Investment agreements and Stabilization certificates, and issue recommendations and directives on implementation.

27.5. Investors shall comply with the recommendations and directives specified in Clause 27.4 of this Law and submit respective reports and information to the state central administrative body in charge of investment affairs within prescribed time limits.

27.6. Procedures for the activities specified in Clause 27.1 of this Law shall be approved by the Member of the Cabinet in charge of investment affairs.

## **CHAPTER NINE PRELIMINARY RESOLUTION PROCEDURES FOR INVESTOR COMPLAINTS**

### **Article 28. Investor complaints and resolving complaints**



28.1. Investors, or their authorized representatives electronically file complaints to the state administrative body in charge of investment affairs if they deem that their legitimate rights and interests are violated due to actions or inactions by government institutions and officials.

28.2. The state administrative body in charge of investment affairs shall receive complaints specified in Clause 28.1 of this Law and submit its recommendations for complaint resolution to the state central administrative body in charge of investment affairs.

28.3. If the resolution of complaints specified in Clause 28.1 of this Law involves requesting information from relevant organizations, requiring clarifications and necessitates expert knowledge, the Member of the Cabinet in charge of investment affairs may appoint inspector to issue opinion.

28.4. The state central administrative body in charge of investment affairs shall act to resolve the investor complaint, and, if required, may submit the matter to the Cabinet discussion for resolution.

28.5. The state administrative body in charge of investment affairs shall enforce the decision specified in Clause 28.4 of this Law.

28.6. Procedures for investor complaint resolution shall be approved by the Cabinet.

## **CHAPTER TEN INVESTOR DISPUTES**

### **Article 29. Investment disputes**

29.1. Unless otherwise stipulated by legislations of Mongolia, all disputes between investor and government institution of Mongolia arising out of investment shall be resolved through negotiations.

29.2. If parties fail to resolve it through negotiations within 3 months after issuing a written notice of a dispute, they shall have the right to file the matter to the following arbitral mediation venues pursuant to international treaties:

29.2.1. If the foreign investor's jurisdiction is a party to the Convention on the settlement of investment disputes between States and nationals of other States ratified on 18 March 1965, the matter may be presented to the International Centre for the Settlement of Investment Disputes (ICSID); or

29.2.2. Arbitral courts or temporary international arbitration in accordance with the United Nations Commission on International Trade Law (UNCITRAL) ratified by the General assembly of the United Nations.

29.3. Disputes between foreign investors and Mongolian citizens or legal entities may, by mutual agreement of the parties, be presented for resolution to arbitration in Mongolia or in foreign jurisdictions. In the absence of such arbitration clauses, the dispute shall be resolved pursuant to Mongolian law.

**CHAPTER ELEVEN  
MISCELLANEOUS**

**Article 30. Sanctions for law violators**

30.1. Any person or legal entity violating this Law shall be subject to liability specified in the Criminal Law or the Law on Misdemeanor.

30.2. In case the actions of a officials violating this Law does not constitute a criminal nature, they shall be subject to liability specified in the Law on Civil Service.

**Article 31. Entry into Force**

31.1. This law shall enter into force on ..... , 2023.

**Signature**