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CIVIL CODE OF MONGOLIA

2. The founding documents for the establishment of legal persons shall be prepared according to the prescribed form and their types, and forms and the procedure for formalization shall be determined by law.
3. Decisions by the competent authorities or charters or contracts of foundation may be the founding documents of legal persons.
4. The charter of a legal person shall be adopted by its founders (members) or authorized organs *thereby*.
5. The charter shall contain the name, place of business, and goals of activities of the legal person as well as the organs of the legal person and their powers and any other items required by law for the type of legal person in question.
6. A contract for foundation of a legal person must be concluded if it is prescribed by law.
- 7.* Members or *participants* of a legal person shall determine the procedure for joint actions aimed at its founding and the conditions for the transfer of their property to the ownership of the legal person *which is non-owner thereof* or its powers to possess, use and dispose of it under Article 88 of this Code, and on participation in its activities in the founding contract of the legal person. This contract shall also contain the procedures for and conditions of management of the activities of legal person and withdrawal from management, joint actions of founders, the principles for distribution of profits and losses and other provisions.
8. A legal person is subject to state registration if required by law.
9. If the statutory requirements are not met, then the registration agency shall refuse to register the legal person in the state registry. If there is objection to such decision on refusal, then a complaint may be filed in court.
10. Legal persons which are subject to registration by law shall be considered to have been founded upon their registration by the state registry, and the other legal persons shall be considered to have been founded upon decision by the competent authorities and the adoption of their charter.
11. Founders shall be liable for any obligations arising from activities prior to the establishment of the legal person *under the law*.

Article 24. Name and place of business of legal persons

1. Legal persons shall have a business name. The name of a legal person may not be similar to that of another legal person which has been previously entered in the state registry.
2. The registration agency shall keep a State registry of the names of legal persons.
3. Legal persons may have their own symbol and trademarks.
4. A court shall decide on disputes that arise in connection with the name, symbol, or trademarks of legal persons.
5. The place of business of a legal person shall be determined by the place where its head office is located.

Article 25. Organs of legal persons

1. Legal persons shall participate in civil law relations through their organs.
2. The legal status of the organs of a legal person shall be determined by law or its founding documents.

Article 26. Subsidiary and representative offices of legal persons

1. A legal person may set up a subsidiary or representative office if permitted by law or its founding documents.
2. Subsidiaries shall be special units located somewhere other than the place of business of the legal person and which exercise all or part of the functions of the legal person.
- 3.* Representative offices shall be units located somewhere other than the place of business of a legal person, and which protect its legitimate interests and carry out legal actions such as conclusion of transactions on behalf of the legal person.
4. The rights and duties of subsidiary and representative offices shall be determined by their charter.
5. Executives of subsidiary and representative offices shall carry out their activities on the basis of authorization issued by a legal person *thereto*.

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6. Subsidiaries may have legal personality.

Article 27. Liabilities of legal persons

1. A legal person may be liable for its obligations with all of its assets.
2. Unless otherwise stipulated by the law or its founding documents, the founders of a legal person and the owners of its assets shall not be liable for any obligations undertaken by the legal person, and the legal person shall not be liable for obligations undertaken by its founders and owners.
3. Legal persons which are financed by an owner and have the right to possession, use and disposal of the owner's property shall be liable for obligations with their cash. If there is insufficient cash to satisfy claims, then the owner shall be liable for them.
4. If legal persons become bankrupt due to illegal activities of the owner or the assets of the legal person are not enough to satisfy the claims by *plaintiffs*, then the owner shall be liable for them.

Article 28. Winding up of legal persons

1. *The winding up of legal persons is subject to reorganization or liquidation as provided by this Code.*
2. *Transactions concluded with other persons for the reorganization and liquidation of legal persons on the grounds and procedure other than those provided by the law shall be void.*

Article 29. Reorganization of legal persons

1. Legal persons may be reorganized (merger, joining, dividing, separation and transformation) on the decision of the owners of its property or its designated organs or the competent organs indicated in its founding documents.
2. The relevant provisions of Article 31 of this Code shall apply to the reorganization of legal persons.

Article 30. Consequences of reorganization of legal persons

1. In case of joining or separation or transformation of a legal person, its rights and liabilities shall be assigned to the legal person which is created as a result of such joining or separation or transformation.
2. Where a legal person merges with another legal person, then the former's rights and liabilities shall be assigned to the legal person which has been created by such merger.
3. Where a legal person is divided, then its rights and liabilities shall be assigned to the new legal persons proportionally unless otherwise provided by law.

Article 31. Liquidation of legal persons

1. Legal persons shall be put into liquidation on the following grounds:
 - 1) a decision by its owners or designated organs, or by competent organs indicated in its founding documents;
 - 2) a declaration of bankruptcy or a court decision on liquidation as a result of several or serious violations of the law;
 - 3) a decision by the legal person to terminate its activities for such reasons as the expiry of its period of operation or achievement of the goals of its establishment;
 - 4) any other grounds provided by law.
2. A liquidation commission, appointed by the organs which made the decision on liquidation, shall be in charge of liquidation matters.
3. The liquidation commission shall publicize the liquidation of the legal person.
4. * The time limit for acceptance by the liquidation commission of applications by creditors shall not be less than two months or not more than six months from the date of public notification of the liquidation of legal person in question.
5. Claims against a legal person under liquidation shall be satisfied in the following order.

- 1) completion of payments due by the legal person to the others for causing damage to their life or health,

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- 2) payment of the wages of workers under labour contracts,
 - 3) payment of taxes and social insurance premia,
 - 4) completion of payments to other claimants in accordance with law.
6. If the assets of the legal person in liquidation are insufficient to meet its debts, its available assets shall be distributed among the claimants in proportion to the amounts owing and in accordance with the proper sequence.
7. If the available cash of the legal person is insufficient to satisfy the claims of plaintiffs then the liquidation commission may sell its other assets and complete the payments owing *under the law*.
8. Upon satisfaction of debts of claimants, any remaining property shall be transferred to the statutory owners (founders) or *legitimate persons if it is specifically provided by the law*.
9. Where there is no person to accept the property of the legal person in liquidation, then it shall be transferred to State ownership.
10. Legal persons which are subject to statutory registration with the state registry shall be deemed to have been wound up upon registration of their liquidation with the state registry, and other legal persons shall be deemed to have been wound up when the decision to put into liquidation was made.

Article 32. Companies

1. Companies shall be a legal person which has a registered capital consisting of contributions by its members (shareholders) and which is liable for its own obligations to the extent of its registered capital, and whose members are liable for its obligations only to the amount of their contribution to the registered capital.
2. Companies may have one member.
3. A limited liability company shall be a company whose registered capital is divided into a number of *stocks* as set out in its founding documents and whose members have the prerogative to buy the interests of the other members. Each member shall be issued a certificate of stock.
4. A joint stock company shall be a company whose registered capital is divided into certain number of shares of equal value, and whose shareholders may freely trade their shares with the public and **whose shareholders has the prerogative to buy the shares of other shareholders.**
5. The legal status of companies shall be determined by law.

Article 33. Partnership

1. A partnership shall be a legal person whose assets consist of contributions by its members and which is liable for its obligations with these assets and with the private property of its members *under the law*.
2. A general partnership shall be a partnership in which all of the members are jointly liable for obligations undertaken by the partnership with their private property if the assets of the partnership are insufficient therefore.
3. A limited partnership shall be a partnership in which at least one member (the general partner) is fully liable for the obligations undertaken by the partnership with his or her private property. The other members of partnership may have limited liability.
4. Other forms of partnership may be determined by law.
5. The legal status of partnerships shall be determined by law.

Article 34. Cooperatives

1. A cooperative shall be a legal person which carries out activities aimed at meeting the needs of its members who contribute their labour and property and who are liable for *due parts* of its obligations if the property of the cooperative is insufficient.
2. The founding documents shall state the size of liability and procedures for distribution of profits earned to the members.
3. The legal status of cooperatives shall be determined by law.

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Article 35.* Merger of legal persons

1. Companies, partnerships and cooperatives may merge with each other in order to coordinate their activities unless otherwise prohibited by law.
2. A *conglomerate* may be set up in the form of a profit-making organization or a non-profit organization.
3. Public organizations, religious organizations and foundations may set up consortia only in the form of non-profit organizations.
4. Members of conglomerates shall retain their *legal capacity personality*.

Article 36. Public organizations, religious organizations and foundations

1. A public organization shall be a body of citizens and legal persons who are united on a voluntary basis in order to protect their intellectual, material, non-material and other interests.
2. A religious organizations shall be an organization whose goals are to meet *the rituals*, behavioral and education needs of the *religious community*.
3. A foundation shall be a voluntary organization without membership which *centralizes grants* and donations for social, cultural, charitable or other form of public benefit, and which has the right to dispense them according to the procedures for their utilization set forth in its charter.
4. Public organizations, religious organizations, and foundations shall be non-profit organizations.
5. The legal status of public organizations, religious organizations and foundations shall be determined by law.

Article 37. Participation By the State, aimags, the capital city, soums and duuregs in civil law relations

The civil rights and duties set forth in this Code shall be exercised by the State through its high governing organs or by aimags, the capital city, soums and duuregs through their Khurals of representatives of citizens. They may delegate their power to exercise their civil rights and duties to others subject to law or agreement.

Chapter Three

Transactions

Article 38. Transactions and their types

1. A transaction shall mean an action by a citizen or legal person aimed at creating, changing, transferring or terminating civil rights and duties.
2. Transactions may be unilateral, bilateral or multilateral.
3. *A unilateral transaction shall mean a transaction which is concluded by an indication of the intention of one party subject to law or agreement between parties.*
4. Unless it is not contrary to law or to the nature of the transaction, the general principles of contracts and obligations shall apply to unilateral transactions.
5. A bilateral transaction shall mean a transaction which is concluded by the indication by two or more parties of their intention.

Article 39. Form of transactions.

1. Unless a written form is mandatory by law, transactions may be concluded orally.
2. Parties may conclude transactions by conduct by indicating their assent to its essential terms.
3. If provided by law or contract, silence may be considered as acceptance of a proposal to conclude a transaction.
4. If the transaction is to be concluded in writing, the parties shall sign the documents. If one party is unable to sign the documents due to the insanity or other good reasons, then another person may sign the documents on his or her behalf and that fact shall be specifically stated in the documents.