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LAW ON STATE AND LOCAL PROPERTY

CHAPTER ONE. GENERAL PROVISIONS

Article 1. Purpose of the law

The purpose of the law is to regulate relations arisen from the matters of legal status of state and local property, legislation on state property items, authority of executive organ, level of authority of juridical person with state property and its administration, principle and regulations of activity of organ implementing policy on state property, ~~and privatization of state property.~~

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Article 2. Law's range of effect

1. This law effects to the regulation of matters concerned to the enjoying ownership rights on state and local properties, specified in the Constitution and the Civic Law.

2. This law doesn't effect to the regulation of matters concerned to the composition, distribution and expenditure of the state central and local budgets and State treasury Fond.

CHAPTER TWO. STATE PROPERTY ITEMS

Article 3. Concept and classification of state property items

State property consists of state property for public use and state's own property. State property for public use and state's own property divides to immovable and movable properties, in accordance with the article 77 of the Civic Law.

Article 4. State property for public use.

1. State property for public use is items for public use proclaimed as people's property by the Constitution and other laws.

2. The following immovable and movable property to be considered as State property for public use:

- 1) land that is not in citizens' ownership;
- 2) subsoil with its mineral wealth;

- 3) water and water resources;
- 4) forest and its wealth;
- 5) flora and fauna resources;
- 6) historical and cultural relicts and monuments;
- 7) archeological and paleantolocical findings;
- 8) other items considered as State property for public use by law;

3. The State Great Hural realizes the right of ownership, use, dispose of the State property for public use and this law shall not effects relations risen from this.

4. Citizen (citizen of Mongolia, foreign resident, stateless person) in accordance with the law regulations may transfer the right of possession and use of State property for public use to other juridical persons.

Article 5. State's own property

1. The following items except that indicated in the article 4 section 2 which the state may own, use, dispose to be considered as State's own property:

- 1) property owned by state agencies and departments;
- 2) property owned by state owned enterprises;
- 3) state share in partly state owned enterprises;
- 4) state central budget and other government special funds;
- 5) state reserves for special use;
- 6) other immovable and movable property indicated in the law;

2. The items of state's own property in accordance with its economic purpose should be divided on basic and circulating capital as indicated in article 69, section 1 of the Company Law.

3. Matters concerned to the ownership, use, disposal of the state's own property should be regulated by this law.

4. Regulations on transferring state's own property items to property for public use or other ownership should be settled by law.

Article 6. Purchase of stock for the state property

Purchasing stocks for the state property should be made in following way:

- 1) Stock which was in state ownership by the time this law get into force;

- 2) Stock appeared as a result of production, service;
- 3) Stock purchased by the decision of empowered body;
- 4) Stock purchased as contribution, aid, present, inheritance;
- 5) Stock purchased as a result of socialization, expropriation in accordance with the grounds and regulations indicated in laws and international treaties of the State of Mongolia.

Article 7. Completion of the right of ownership of the items of the state property

The right of ownership of the items of the state property should be completed in accordance with the grounds indicated in the Civic and other laws.

CHAPTER THREE. MANAGEMENT OF THE STATE PROPERTY.

Article 8. The State Great Hural's authority on state property.

1. The State Great Hural has the following authority on state property:

- 1) The State Great Hural representing all the people should be the owner of the state property;
- 2) Discuss the Government report on results of taking inventory of the state property and indicate level of power on ownership, use, disposal of the state property;
- 3) Adopt the state budget in accordance with law, control implementation;
- 4) Making decisions on transferring the state property to local ownership;
- 5) Adopt the basic directions the privatization of the state property, making list of stock not to be privatized, making amendments to them;
- 6) Other kind of power indicated in the law.

2. Only the State Great Hural has right to make a decision on socializing.

Article 9. The Government's authority on state property.

The Government bears responsibility on safety of the state property to the State Great Hural and has the following authority on this:

- 1) Organizing the implementation of the state policy, law and regulations on the state property;
- 2) Establishing the size and limits of ownership, use, disposal of items as share of the state property of the juridical bodies;
- 3) Making decisions selling, transferring state immovable property not included in the privatization;
- 4) Adopting list of juridical bodies, items to be privatized;
- 5) Adopting decisions on establishing, changing, abolition of juridical bodies with state property, confirm their charters. if not indicated in the law in other way;
- 6) Consideration and making decisions on suggestions from juridical bodies other kind of property about jointly establishing juridical bodies with full or partly ownership of state property, making investment to them, returning back the invested share;
- 7) Making decisions on requisition of other's ownership items to the state ownership, if indicated in the law, submitting proposal and draft decision on socializing to the State Great Hural;
- 8) Reporting to the State Great Hural on the results of taking inventory of the state property, performance of budget, fulfilling its decisions;
- 9) Adopt and change juridical bodies with state property ownership's Co-relation to the state and local budget;
- 10) Other kind of power indicated in the law.

Article 10. State property Committee.

1. State property Committee is a Government Agency who's duties are to own, use, protect state property.

2. State property Committee consists of the chairman, 8 non-established members. Government appoints the members of the State property Committee by the proposal of the chairman.

3. State property Committee should have a State property agency , who's duties are to implement state representation in juridical bodies with full or partly ownership of state property. Government should adopt Agency's charter.

4. State property Committee should work on self-financing basis.

5. There should be a Property Commission in the capital city and State property representative in aimags (provinces).

Government regulates the level of power and working order of State property representative.

Article 11. State property Committee's authority

- 1) organize the work on improvement of the ownership, use, storage, protection of the items of state property;
- 2) organize and conduct the works on preliminary registration, taking inventory, issue balance reports on items of state property, supervising use of items of state property, take measures to improve its efficiency;
- 3) stipulate with the organizations concerned planning, distribution of income and profit, salary standards to be followed by juridical bodies with state property;
- 4) organize the work of privatization in accordance with the list adopted by Government, report the fulfillment;
- 5) render professional and methodological assistance on management of local property;
- 6) appoint State property representatives to juridical bodies with state property, supervise its activity;
- 7) supply necessary items to government agencies in the order basis;
- 8) supervise and confirm proposals of juridical bodies with state property to cut from balance their immovable property and movable property related to basic capital, supervise and confirm orders, adopt decisions on purchasing new item;
- 9) other kind of power indicated in the law.

Article 12. Authority of ministries and special agencies on state property

1. Maintain professional management of juridical bodies with state property in the fields and framework concerned, work out and submit proposals order, planning, investment and other necessary problems.

2. Authority of state central administrative agencies, responsible for items of juridical bodies with state property manufacturing products for maintaining state security, defense purpose. should be adopted by law specially.

CHAPTER FOUR. JURIDICAL PERSON WITH STATE PROPERTY AND RIGHTS OF ITS STOCK.

Article 13. Concept and classification of juridical person with state property

Juridical person with state property is juridical person established by state by its own property with the purpose of implementing its policy and maintaining social consumption. Legal status of stock of juridical person with state property should be classified as follows:

- 1) government agency, department;
- 2) public enterprise.

Article 14. Authority of stock of government agency, department

1. Government agency, department is organization financed by the state budget, except public enterprises.

2. Government agency, department has the following rights and obligations on stock given to it:

- 1) maintaining safety of stock given to it, own and use according to purpose in its activity;
- 2) disposing funds delivered from state budget in accordance with budget law purpose, reporting on it;
- 3) Income as a result of production, service should be owned, used, disposed in accordance with its charter purpose, if not prohibited by law;
- 4) proposals on purchasing, ordering, transferring, liquidating of stock referred to basic capital should be submitted to the State property

Committee, receiving authorization in accordance with regulations indicated in this law.

Article 15. Classification of public enterprises

1. Public enterprise is an enterprise based only on state property and receiving funds from state budget, and should be divided, in accordance with its legal status, to self-financing enterprise and budget-funded enterprise.

2. Self-financing enterprise is a juridical person independently entering into civic circulation, based on self-financing principle on given state property items.

3. Budget-funded enterprise is a juridical person, on the basis of given state property items financed from state budget and who's activity is limited to producing and service only for state purpose.

Article 16. Authority of property items of self-financing enterprise

1. Self-financing enterprise should have the following rights and obligations on property items:

1) Own and use given immovable property in accordance with its activity charter;

2) Disposal of basic capital within the framework of authority indicated in this law;

3) Keep, use, dispose part of manufactured productions in accordance with the limits issued by empowered body.

4) Independently sell own production.

2. Basic capital of self-financing enterprise should be transferred, sold, liquidated only by the permission of the State property Committee.

Article 17. Authority of property items of budget-funded enterprise.

1. Property items of budget-funded enterprise should have the same rights government agencies and departments have as indicated in the article 14 of this law.

2. Executive director and administrative officer should be public administrative servants, others (temporary workers not included) should be public service servants.

Regulations on appointing, changing of administrative officer by director should be regulated by the Law on Public service.

Article 18. Administration of self-financing enterprise

1. Director should administrate every-day activity of self-financing enterprise. State property Committee in agreement with ministry concerned should appoint or change director.

2. A person to be appointed as director should meet the following conditions:

- 1) have higher education in the fields of activity of given enterprise;
- 2) have not less than 2 year experience of administration work at any juridical person or its branch, have necessary managing skills;
- 3) observe ethics of management.

3. A person who's right to be appointed in post concerned or to have activity in fields concerned were deprived by decision of the court, or punished for criminal case by the decision of the court, or bankrupted a juridical person which was under its administration, or changed due to not fulfilling obligations on management should be prohibited to be appointed as director.

4. Director should be prohibited to enter representative managing council of state and private property, or half-shared private property juridical person, simultaneously work in its administration.

5. State property Committee should form list of posts, personnel of the administration of self-financing enterprise.

6. Administration officer of self-financing enterprise should be public servant and others should be considered as hired worker.

Article 19. Contracting with administration of self-financing enterprise

1. Contract should be made when appointing director of self-financing enterprise (hereafter refers as to "director"). Contract should reflect following conditions:

- 1) rights and obligations indicated in this law;
- 2) level of economic efficiency to be reached;

- 3) instruction on technological renewal;
- 4) measures to be taken in field of labor security and social policy;
- 5) management policy;
- 6/ Director's and Government Commitments on discharging of their obligations;
- 7/ Asset and its amount allowed to the managing enterprise by the owner;
- 8/ Wages and salary, remuneration regulated by this law;

9/ Work condition (car, communication etc.)

- 10/ Asset (property) responsibility stated in this law;
- 11/ Regulation for the evaluation on contract obligation's fulfillment and its period;
- 12/ Other conditions except unlawful;

1. If the director's non-fulfillment of this obligations due to the agreed contract appears without any legitimate excuse it can cause to his dismissal.

Article 20. Assets right and obligation of the director

2. The director possesses the following rights and obligations:

- 1/ To represent a concerned enterprise without a proxy and grant a proxy to others;
- 2/ To dispose the assets within his terms of reference stated in the law or contract on behalf of the enterprise;
- 3/ To work out production and financial planning for the enterprise, and obtain necessary approval by a relevant authority, and provide a necessary conditions for execution;
- 4/ To form an administrative structure, appoint and dismiss officials, and fix the salary and wages according to the Scheme Fund set by a relevant authority;
- 5/ To determine an information belonging to the production and technology secrets for the enterprise;

6/ To approve and follow its internal labor regulation in conformity with the labor law and legislation ;

7/ To make an entry in the book- keeping according to the legal accounting rules, and reveal the balance sheet and statistical information, and be responsible for their truthfulness;

8/ To raise action on matter in dispute to the court on behalf of the enterprise;

9/ To set prices for the goods and services expect the fixed ones by the government;

10/ Within his power, to establish relevant regulations, rules and directions to be followed by the enterprise in conformity with the legislation and the government decisions;

11/ Other duties and obligations stated in the law;

3. In addition to the rights and obligations stated in this law, other duties and obligations to be entitled to the director taking into account the specific character of a particular enterprise can be stated in the contract said in the Article 19 of this law.
4. The director is entitled to establish a Council of Directors consisting of relevant professionals and officials and the members and regulation for the activity of above said Council will be approved by the director's order.

The members of the Council are entitled to work with deliberative power to the director.

5. The following incentives to be given to the director can be stated in the contract:

1/ to give a particular from the profit gained by the enterprise in a particular period;

2/ to give a particular cash remuneration due to the fulfillment of his contract obligations;

6. If because of director's quilt activity or he offends any crime through his ultra vireos or abuse of the rights entitled to him in the ownership, use and dispose of assets said in the contract and causes damages to the enterprise, the director is to bear completely these damages by his private property.

Article 21. Corporate entity with state ownership participation, its property rights and features

7. The corporate entity with the public shares or public shared capital is called a corporate entity with a public ownership participation.

8. The delegation of public property by the corporate entity shall be executed through the following ways:

1/ The State Ownership Committee is to appoint the representative of state ownership to the Members' (shareholders) Meeting as a supreme Authority of the corporate entity with a state ownership.

2/ The members of the representative governing board for the corporate entity shall be appointed by the State Property Committee in proportion to the state ownership in a particular corporate entity according to the paragraph No. 2 from the Article No. 85 in the Partnership and Company Law of Mongolia.

3/ The Member of the Members' Meeting of corporate entity with a state ownership, who is appointed by the State Ownership Committee shall be entitled to be appointed to the Representative Governing Board.

4/ The representative of state ownership possesses the following duties and obligations:

1/ to participate in the meetings of Members and Governing Board with the judgment-making power;

2/ to make a draft on the efficient disposal of assets by the corporate entity implementing the state ownership delegation and submit it to the State Ownership Committee;

3/ to implement the state ownership delegation within the terms of reference permitted;

9. The representative of the state ownership shall be a representative from the agency expressed in the paragraph No.3 from the Article No.10 in this law or government administrative and service officials working in other organizations.

The appointment of the government administrative and service officials working at another organizations shall be consulted with the management of them.

10. The representative of state ownership should work according to the guidelines and rules approved by the State Ownership Committee. A violation or non-fulfillment of the guidelines or rules can cause the abolishment of the decision for his/her appointment.

11. The allocated remuneration to the people as a representative of state ownership and member of the governing board shall be concentrated at the State Ownership Agency. Depending on his/her performance of the delegation obligation or whether a particular corporate entity makes a profit or not, a relevant remuneration or incentives shall be given to him/her. The rule of such remuneration or incentives shall be set by the State Ownership Committee.

12. The attending person in the Members' meeting representing the government has no right to vote for the member to the governing board from other private owners of a particular corporate entity.

13. In conformity with this and other laws, the Mongolian Government can issue a specific regulation on the delegation of state ownership in corporate entities with state ownership.

Article No.22 Establishment and registration of the corporate entity with state ownership

An enterprise and institution is to be established by the decision from the Government or authorized body having a special permission according to the law, and it is considered to be established from the date of such decision and shall be registered as the following procedures:

1/ Unless it was stated in the law otherwise, the Ministry of Finance shall register in the state registration the government organizations, offices and enterprises described in the paragraph 1 of the Article 13 and paragraph 3 of the Article 15 in this law.

2/ The business enterprises described in the paragraph 2 of the Article No. 15 in this law, shall be registered according to the Partnership and Company Law of Mongolia.

Article 23. Dissolution of corporate entity with state ownership

The liquidation of s corporate entity shall be effected according to the cause and procedures in the Civil and other concerned laws.

PART FIVE

Provision on possession, use and disposal of the property belonging to the state ownership

Article 24. Acquisition and registration of the property of state ownership

14. The list of required assets for the performance of own mission and objectives of a business enterprise shall be issued at least 3 month before the beginning of financial year and the maximum expenses amount should be approved by the State Ownership Committee and Ministry of Finance.
15. Except the government organizations, all other corporate entities with state ownership shall purchase by themselves the required assets within their approved expenses, and the government can allocate them without any compensation.
16. A corporate entity with state ownership can acquire real estate on the basis of the order and only with the permission granted by the State Ownership Committee.

Article 25. Valuation and registration of the property of state ownership

17. The property of state ownership shall be registered in accordance with the procedures provided in the Article 7 of the Accounting Law.
18. The Government can make its decision to re-valuate the property due to the market price and exchange rate changes.

- 19. If it is considered that the prices set for the goods and services by the business enterprises have negative results to the government policy on the market price of such goods and services, as well as to the interest of society, the government is entitled to make decision for monitoring and changing these prices.
- 20. The procedures and rules on the valuation and entry of assets into the accounting book-keeping shall be issued by the Ministry of Finance.

Article 26. Possession and use of the property of state ownership

A corporate entity with state ownership owns and uses the acquired property in accordance with this law.

Article 27. Possession and use of state property by the entity without state ownership

- 21. The property of state ownership can be owned and used by others through a concessive and leasing agreement approved by an authorized body or free of charge if warrantable by laws.
- 22. The relations on possession of real estate like state owned land and under-earth through a concessive agreement shall be regulated by a specific law.

Article 28. Leasing of state-owned property

- 23. The provisions of state property to be leased which is designated to the public by the State Great Khural and of its own property to be leased to others are ruled respectively by the Government in conformity with the Civil law.
- 24. A corporate entity with state ownership possesses its right to give in lease for own and use of the real estate to the others except the especially regulated real estate.
- 25. The leasing agreement shall cover the regulation on the duration of lease, its payment, terms, reasons to annul before the expire date, consequences to be raised, taking of measures on offset, in addition to the provisions described in the Article 274 of the Civil Law.
- 26. In case of selling the leased property, whether to qualify the rights (preferential rights to buy) or not, described in the paragraph 2 of the Article 274 from the Civil Law, is subject to the State Ownership Committee's decision.
- 27. The payment of lease on the state property shall be collected to the State Central Budget. This payment is not related to the payment for purchase of this property.

Article 29. Selling of the state owned property

- 28. In case of selling the state owned property without any regard to the privatization, the tangible assets from the basic assets of a corporate entity with state ownership - through the State Ownership Committee, and the other property - through the own decision of a particular corporate entity shall be sold respectively only by the auction trading.

29. The initial price of the auction shall not be below the price indicated in the balance sheet.

Article 30. Transfer of the state owned property without compensation

30. In order to constitute the local administration property, the transfer of the property without compensation shall be decided only by the State Great Khural.

31. Except the state owned real estate and the property belonging to a corporate entity, the others can be transferred by the State Ownership Committee's decision only in case of granted permission from the government.

32. Unless otherwise it was stated in the law, the state owned property is prohibited to donate, present and mortgage or contribute as a capital stock to the legal person with other ownership without a permission from an authorized body.

4. The procedures on provision of allowances and support for single use only from the state property shall be set by the government.

Article 31. Sale, transfer and liquidation of the excess and incompetent property, or with expired date of utilization

1. A corporate entity with state ownership holding excess capital assets and assets with the expired date of utilization or assets with the expired date of utilization or assets impossible to use because of accident occurrence and it was confirmed that the use of them after repair is considered to be inefficient can sell, transfer and liquidate such assets with a relevant verifying documentation.

2. The sale and transfer of the property stated in the paragraph 1 of this Article shall be permitted by an authorized body said in the Article No. 29 and 30.

3. The sale, transfer and liquidation of the property described in the paragraph 1 of this article shall be effected through the following provisions:

1/ An evaluation for the property to be sold, transferred and liquidated, shall be issued by the standing Council for property protection;

2/ The price for the excess assets, or repaid assets with wear and tear payment, or wearied and torn and damaged assets possible to use for the purpose after repair can be set upon the consultation with the State Ownership Committee;

3/ To liquidate the property impossible to repair;

4/ However the utilization date has not been expired, the property impossible to use because of serious damages shall be decided upon the consultation with the State Ownership Committee as described in the procedure of this article;

5/ the reason for the occurred damages shall be stated and if such damages are resulted from a particular person's guilty, the compensation is subject to the provisions of the Civil Law.

PART SIX

Provisions of the state owned property

Article 32. Aspects on the privatization of state owned property

The transfer of the state owned property into private ownership (hereafter called as "privatization") on the basis of decisions made by an authorized body according to the methods and conditions described in this law means a privatization of state owned property.

by a person or entity other than the state

Article 33. Privatization program

1. The privatization of the state owned property shall be conducted according to the program approved by the government.
2. The purpose of privatization, its stages, methods and list of objects to the privatized shall be indicated in the program.

Article 34. Methods of privatization and its definition

1. Privatization of state owned property shall be conducted by the following methods solely or combined with others respectively :
 - 1/ Auction trade;
 - 2/ Tendering (Selection of proposed projects);
 - 3/ Sale of public shares and stocks;
 - 4/ Reorganization of a corporate entity with the state ownership to the joint-stock entity;
 - 5/ To privatize the assets by dissolution;
 - 6/ Privatization according to the management results;
 - 7/ To issue shares with preferential and specific rights;
2. The privatization method among the described methods in this article to the used for a particular state owned property shall be set beforehand in the list approved by the government and according to this list the decision shall be made by the State Ownership Committee.

Article 35. Preparation for the privatization process

1. Before the privatization of the state owned property, there shall be taken stock and valuation of the property according to the Article 37 and 70, then such re-valued property shall be transferred to the supervision of the trustee representative from the State Ownership Committee.
2. The trustee representative of the State Ownership Committee shall bear his obligations to protect the safety of the property to be privatized, and to transfer it to a new owner upon the decision from the State Ownership Committee. Any disputes including excess and losses of the property shall be submitted to the State Ownership Committee for consideration.
3. Any movement of the property to be privatized is prohibited during the period from the transfer to the trustee representative to next transfer to a new owner without a permission given by the trustee.
4. If necessary, the corporate entity with the state ownership can be reorganized before the privatization process begins. In this case, the State Ownership Committee can consult about such decision with concerned government bodies.

Article 36. Furnishing of information on the property to be privatized

1. Information on the shares and dividends related to the government from the corporate entity with state ownership to be privatized shall revealed to the public through media not less than 30 days before the start of privatization process by the State Ownership Committee.
2. The following shall be included in the announcement:
 - 1/ The size of land in the possession of the corporate entity to be privatized; land character; if it is leased, the terms of agreement and payment report;
 - 2/ The balance sheet including the type and price of whole property, as well as debts and other indices indicating the economic results and solvency;
 - 3/ Type of the engaged production and services activity;
 - 4/ Offering price for privatization;
 - 5/ Other information on the specific features and conditions related to the engaged activities;
3. Other information can published from the State Ownership Committee.

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Article 37. Valuation of the property to be privatized

1. The state owned property shall be estimated, and the size and offering price shall be set before the privatization.
2. The prices for the property indicated in the balance sheet of the corporate entity shall be used for the valuation and necessarily to be verified by the following documents:
 - 1/ through the stock documents prepared by each inventory as property, capital assets, goods-in process, building etc.
 - 2/ through the notification by the financial and banking body of the corporate entity about cash (in hand and on the accounts) assets;
 - 3/ through the verifying documents for each receivable and payable related to the individuals and legal persons;
 - 4/ through the statement about the remainder on the credit account for credit information obtained from the bank or others;
 - 5/ through the documents verified by each concerned body about the tax, duty, insurance and other payments;
3. The estimation price of the privatizing property shall be set total amount of whole property including receivable from others less the payable and loans to be paid to the government and other organizations and individuals.
4. In order to promote parties interested in the privatizing property and improve the return of the property in short time, a budget can be granted for the advance payment of whole or partial price of the privatized property. But such decision shall be preceded the decision from the government about the privatization of a particular property. In this case, the allocation of credits and their payment terms should be regulated according to the Civil and other laws and there shall not be deducted the discounted debts and credits from the total property.
5. Upon the evaluation by expert in the valuation process of the property, the State Ownership Committee shall make final decision about the total size of the property and its price estimation.
6. The period, schedule and terms of the repayment for the privatized property shall be set by the State Ownership Committee and the total repayment period shall not exceed 10 years.

Article 38. Auction trading

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1. If there are no specific requirements for the future use of the privatized property, the auction methods are to be used in this case.
 2. The auction shall be executed through open or limited way according to the paragraph 7 of the Article 162 in the Civil Law.
 3. The auction open to all interesting participants is called a public and within a particular legal persons is called a limited auction.
 4. The participants of the auction shall express their own bid price by themselves or through their trustee by ascending offer in the auction, or submitting their maximum bid price in the sealed envelope.
 5. The method to be used in a particular auction shall be determined by the State Ownership Committee and revealed to the public through the media.

Article 39. Furnishing of information about auction

1. The State Ownership Committee shall announce the information about auction trading not less than 30 days preceding the date determined to start this auction.
2. In addition to the procedures stated in the paragraph 2 of the Article 36 in this law, the announcement on the auction shall cover the following :
 - 1/ the date of start, finish and total period of the auction;
 - 2/ type of engaged production and services, definition of building and equipment, their quantity;
 - 3/ amount of pawn payment for the auction;
 - 4/ registration procedures and its period for the participants in the auction;
 - 5/ general provisions of the purchase and selling agreements;

Article 40. Auction participants' rights and duties

1. The participants of the auction have the following rights :
 - 1/ to obtain free of charge a concerned information related to the property by the concerned persons in the auction;
 - 2/ to participate in the auction by himself or through his/her trustee representative
 - 3/ If he/she fails to win in the auction attending by himself or trustee representative, the pawn payment made before shall be returned.

4/ to be compensated the losses because of delayed or before execution of the auction from the determined date. or not holding the announced auction;

5/ to bring own claim concerning to the violence of the procedures to the State Ownership Committee and court;

2. The participants have the following duties:

1/ to be registered in the participation list before the auction starts by the organizers;

2/ to make the pawn payment for the purchased property within the determined period, if he/she wins in the auction trading;

5/ to compensate losses occurred to the seller, raised from the non-receipt of the property purchased in the auction within the determined period;

Article 41. General rule for auctions

1. An auction shall be conducted by a person nominated by the State Property Committee.

2. A conductor shall have the following obligations:

- 1) to register participants of auction;
- 2) to start auction at planned place and time;
- 3) to write down each action of the auction process;
- 4) an auction shall be considered as insolvent, and closed with corresponding notice, if there were no participants. no primary bid and no bidmore, and no competitor;
- 5) an auction record shall be correct and full.

3. A representative of State Property Committee shall participate through whole auction with the following obligations:

- 1) to check whether auction is conducted according to the law, and control conductor's activity;
- 2) to check whether auction records were done correct and fully;
- 3) to stop auction, if there is law violation.

4. An auction shall be started at announced place and time, participants shall bid, and after last bid a sign shall be given or counted 1, 2, 3 and then the auction shall be closed.

5. It is prohibited for a conductor and representative of State Property Committee, or his empowered person to be an auctioneer.

Article 42. Illegality of an auction

1. An auction shall be considered as illegal if there are the following substantiations:
 - 1) starting was before or more than 1 hour later scheduled time;
 - 2) was in other place than it was announced;
 - 3) bid order was mixed
 - 4) was started and carried out without a representative of Committee;
 - 5) was closed before last bid or without sign;
 - 6) participation of conductor, or representative of Committee, or non registered person;
 - 7) violation of other terms of announcement for auction.

Article 43. Substantiations to accomplish an auction

1. An auction shall be considered as accomplished with closing sign after final bid.
2. The participant with the highest bid shall be possessor of the selling property.
3. A possessor shall conclude contract with State Property Committee or authorized organization according to the parts 11,12 of the Article 162 of the Civil Law. The following terms shall be included into a contract:
 - 1) list of the property by items;
 - 2) purchased price;
 - 3) amount of a pawn to participate in the auction;
 - 4) method of payments;
 - 5) conditionality and timing for property transference;
 - 6) substantiations, rule and amount of loss compensation in case of contract obligations failure;
 - 7) procedure to solve an argument related to the contract obligations.
4. The right to possess the property sold in auction shall be realized after accomplishment of the payments for items indicated in the selling-buying contract. Payments procedure and methods shall be indicated in the contract.
5. Buyer shall pay the purchased property cost within 14 days.

Article 44. Holding the auction once more

1. The auction shall be held once more if it did not take place or was illegal according to the point 4 of the part 2 of the Article 41 and Article 42.
2. Decision for this shall be taken by State Property Committee, and renewed auction shall be conducted according to this law.

Article 45. Solving an argument arisen from the auction

An argument arisen from the auction shall be solved by State Property Committee. If its solution was not accepted, appeal can be given to court.

Article 46. Privatization by tenders

1. Privatization by tenders is the privatization on the basis of project selection.
2. Property shall be privatized by the following tenders:
 - 1) to increase efficiency of the privatizing legal person by investing and technological renovation without changing its profile;
 - 2) to change profile of the privatizing legal person in order to meet country, local and population needs.
3. Privatization by tenders shall be open or limited.
4. Tender among certain professional legal persons and individuals in order to meet professional, investment and technological requirements for purpose of maintain the profile and increasing efficiency of the privatizing property is considered as "limited", with free public participation as "open".
5. Limited tenders shall be indicated in list approved by Government. According to this State Property Committee shall make decision and publish it.

Article 47. Tender announcement

1. State Property Committee shall make announcement about tender according to the part 1 of the Article 36 of this law not less than 60 days before the tender starts.
2. The following terms shall be indicated in announcement besides the information under part 2 of the Article 36 of this law:
 - 1) additional conditionality in use and disposal of the property;
 - 2) main criterias of the tender;
 - 3) preliminary registration for participants;
 - 4) closing date to send a project to State Property Committee;
 - 5) general contract provisions;
 - 6) price, amount and items of a pawn.

Article 48. Requirements to a tender participant

1. Tender participants shall meet the following requirements:
 - 1) property guarantee, solvency;
 - 2) professionally skilled staff;
 - 3) a project shall meet announced conditionalities and appropriate professional level;
 - 4) professional expertise shall be done;
 - 5) a project shall be received in time;
 - 6) pawning must be done in time.

2. The property security provided by the participants for the tender offer shall not be a pledge of bank or other business entities and organizations.

3. The State Property Committee may require for additional requirements in appropriate with peculiar attribute of the property to be privatized. Additional requirements shall be included in the announcement of the tender offer.

Article 49. Rights and duties of the participants of the tender offer

Besides the rights and duties stipulated in the Article 40 the participant shall exercise the following rights and duties:

1) the sealed projects to be selected shall be delivered to organizer in person or by trusted representative, if there is no possibilities of such delivery, to sent it by secured mail within the announced terms;

2) to deny the expert selecting the projects and to complain on experts' activities to the assigned organization;

3) to be responsible fully for the trustworthiness of an information sent to the tender offer on the security interests, creditworthiness.

Article 50. Expert's rights and duties

1. On the date of the proclamation of the project the State Property Committee shall appoint based on the list of the experts an professional expert or a team of the professional experts including the former one.

2. The expert shall meet the following requirements:

1) to have high education in the field of the profession relevant to the project to be selected, working experience of no less than 3 years in that field;

2) expert to be included to the team shall have high education related to the matter of the project in such field as accounting, finance, law, technical science and have an appropriate experience.

3) to have no criminal conviction;

4) to have no any personal interest in the project and property subject to be privatized.

3. Considering the attribute of the property, the duty of the experts' team may be executed by the control or expertise organization.

4. The expert shall exercise the following rights and duties:

- 1) to require additional information on the project submitted for the tender offer;
- 2) to determine the forms of the tender offer in agreement with the representative of the State Property Committee;
- 3) to organize the tender offer on a high level in compliance with the law and regulations;
- 4) to keep state, organization and person's secrets have been found out from documents during his/her activities;
- 5) to renounce in consequence of the provision of the Article 51 of this Law on conditions prohibiting expert's participation;
- 6) if the expert included in a team has particular opinion he/she shall renounce by indicating its grounds in the written;

Article 51. Conditions prohibiting to participate as an expert

The expert shall renounce the participation in the selection of the project in the following conditions:

- 1) if the expert is one of the founder, owner, or shareholder of the legal person initiated the submitting project;
- 2) if the expert was or is employed in one of the participant's economic entity who submitted the project;
- 3) if the expert has close relationship with the participant who submitted the project / father, mother, spouse, brother, sister, children, and members of their families/.
- 4) if the expert has any other personal interests in it.

Article 52. Procedure for the receiving and initiating the project.

The Project shall be received and initiated according to the following procedure:

- 1/ Organizers shall register all projects submitted within the announced period of time in order its receipts according to the rules determined in instruction of filling, make special notes and store its separately.
- 2/ On expire date of receiving of the project the organizer shall record, sign and seal every project at present of the representative of the State Property Committee.

The Organizer shall be responsible for confidentiality of the project:

3/ On the day of the proclamation the organizer shall transfer all submitted projects and notes to the experts. The participant of the tender offer may be present, if he/she wish do so;

4/ The experts shall receive the projects submitted for the tender offer revising its the intactness and sign the receipt;

5/ The experts shall open the parcel and examine the completeness of the documents of the projects according to the announced list;

6/ If the project is incomplete, the expert shall inform the participant and may not mark or mark down the project or may make decision to exclude the project from tender offer;

Article 53. Procedure of the evaluation of the project

1. The Projects shall be evaluated on 2 stages:

- on the first stage to ascertain whether the participant has fulfilled the conditions and requirements of the tender offer in compliance with the Law;
- on second stage to ascertain the person which makes the best offer ~~which offered the best price~~ among the others with alike the conditions and requirements.

2. Before proclamation of the project the experts shall agree on its selecting procedure.

3. The evaluation activities of the experts shall be recorded.

Article 54. Evaluation of the expert

1. The Expert shall evaluate each project separately.

2. The expert' evaluation shall contain the followings:

1/ evaluation in points on every criteria's of the selection of the project with its advantages or disadvantages;

2/ brief summary of the evaluation and sum of the total points on each project;

3/ the expert's special opinion:

3. The expert's evaluation shall be executed in writing and shall include the information on the expert's profession, the position, and the signature. In case if the expert's duty has been performed by the legal person the evaluation shall be executed on the blank form,

signed by the responsible authority and sealed. The name of the place, the date and the term shall be indicated in the evaluation.

4. In case the evaluation has been done separately by each member of the expert's team, the team of experts shall provide the summary evaluation on each project with its signature and seal.
5. The expert shall submit the evaluation to the meeting of the State Property Committee. The State Property Committee shall approve the evaluation if consider it reasonable grounded, and if consider it groundless or in contempt of law the state property committee shall issue a decision to deny for re-examination.

Article 55. Privatization through the shares of the stock

1. The state owned enterprise may be privatized by reorganizing into the company and selling its shares of the stock. The decision on it shall be issued by the State Property Committee.

Due to the economic and social needs, the State may found a legal entity with state ownership by not offering some of the shares to the public and leaving into its ownership.

2. The foundation issue of the state owned enterprise under the paragraph 1 of this Article shall be undertaken by the State Property Committee and it shall exercise the duties represented by the promoters under the Article 35 of the Partnership and Company Law.
3. The State Property Committee shall convene the meeting of the contributors within three months after the sale of the shares of the stock in compliance with the relevant procedures and transfer its rights and duties to the management of the newly founded legal entity.

Article 56. Privatization of the state owned shares of the stock and transfer of the ownership to the other persons

1. According to the provision of the Part 1 of the Article 55 of this law, the state owned shares of the stock of the company or state owned enterprise or legal persons with the state ownership shall be sold as a free or in approved forms of the shares through the stock exchange as stipulated in Part 2 of this Article or out of the stock exchange as stipulated in the Articles 38- 45 and 46-54, 58 of this Law based on the decision of the State Property Committee.
2. The shares of the stock shall be sold through the stock exchange in the following order and procedure:
 - 1) in order to sale the shares through the stock exchange, the State Property Committee shall appraise the property of the enterprise which is to be privatized and determine the

forms of the shares to be issued, its number, nominal selling price and if shares are in package, their size, then shall issue the decision about public sale through the stock exchange. The state owned shares of the joint stock company may be sold as the above.

- 2) the activity of the selling shares through the stock exchange shall be taken under the procedure stipulated in the law on Securities.
- 3. The opinion of the other owners of this legal entity shall be taken in selling the state owned shares of the legal person with state ownership in accordance with the provision 1 of the Article 91 of The Partnership and Company Law.
- 4. The Government may establish a special procedure on selling the state owned shares of the legal person with state ownership.

Article 57. Privatization through founding joint venture

Privatization may be done through foundation of the joint venture by joining the property of the state owned legal person as a whole or part with the property of the foreign or domestic investors. Therefore, the following is allowed :

- 1) to sell some part of the property (shares of the stock) of the state owned legal entity to the investors;
 - 2) to add others property into with purpose to widen and renovate the state owned legal entity;
 - 3) to sell the loan of the state owned legal entity to others and to give the shares into the ownership in the amount of the paid loan.
2. In any case referred in the first part of this Article, both parties shall execute the contract on the loan and the ownership of the shares, and appraise the contributed property on mutual agreement, and reflect the mutual rights and duties on the management of the enterprise in compliance with The Partnership and Company Law or International Treaties Law of Mongolia.
3. The duty of the representative of the state property shall be executed by the State Property Committee and person nominated by in any relations of the joint venture.

Article 58. Privatization considering the evaluation of the management's activities

- 1. The management of the state owned legal person may be undertaken by a legal and natural person in ~~private ownership~~, and with a high management professional experience and skills to manage the enterprise effectively on the basis of the contract.

by that is not part of the state

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a period of time deemed reasonable by the State Property Committee

2. The person employed on the basis of the contract may found own team if it is not stipulated otherwise in the contract.

3. If the law does not stipulate otherwise, the management contract shall be concluded on the basis of the tender offer and in written for ~~the 3 years~~

4. Besides Civil Law provisions related to contracts, the following conditions shall be included into a contract:

1) measures will be taken by manager to improve organizational structure and technology, to increase efficiency, ~~at an enterprise~~, set time-tables, stages, criteria and procedures in implementing these measures;

2) wage and bonus for a contractor;

3) portion, form and price for state property which will be privatized in case of full implementation of contract obligations;

4) responsibility, compensation form and amount, and the security in case of failure.

missive not mandatory transfer.

5. Contract on management ^{may} can be used by selling state shares of majority state owned enterprises or joint ventures as legal persons. In this case it should be agreed with share holders and managing representatives council of the legal person.

Article 59. Privatization by golden shares

1. Golden shares with voting rights but without dividends can be used if there is necessity for state control over some activity for certain time regarding to a state owned legal person to be fully privatized.

2. State Property Commission shall publish about issuance of golden shares, authorized state representing person and timing, when a legal person will be privatized.

Article 60. Abolishment of a legal person and its privatization

1. Bankrupt, or with backward technique and technology, or without prosperity state owned enterprise can be abolished by Government resolution, and after debt clearing can be privatized.

2. Having done inventory and liquidation balance of an abolishing enterprise, State Property Commission will transfer or sell in auction the state property by portions according to the Article 30 of this Law on the basis of Government resolution.

Article 61. Contract to be concluded with property possessor

1. State Property Commission shall conclude a contract about property privatization with a new possessor before property transference.

2. The following conditions shall be included into the contract:
 - 1) name, address and registration number of a person conducted privatization and new possessor;
 - 2) list of privatized property, unit price and total cost, payments term and forms;
 - 3) conditions to issue possession certificate;
 - 4) place, time, rule for transference of privatized property, transferring and accepting persons, their rights and obligations;
 - 5) if a new possessor was obliged to the state, the obligations and responsibilities, and responsibility for failure of transference rule;
3. Other conditions can be included into a contract, which will not contradict to the legislation.
4. Property transference act, and if there is a project conditionality, corresponding documents shall be attached to a contract.

Article 62. Substantiation for privatization illegality

1. If there is one of the following substantiation, the privatization shall be considered as illegal and dissolved: *included*
 - 1) an entity is not in a list approved by Parliament or Government;
 - 2) *certificat* ~~some~~ entity privatized without State Property Commission decision;
 - 3) violation of auction and tender rule;
 - 4) a new possessor did not pay in time the payments by law and contract, or payments were done illegally; *The correct price*
 - 5) *translation* was sold in lower price than ~~nominal~~, or property not permitted to be privatized was included;
 - 6) a new possessor was over privileged regarding to the law;
 - 7) a new possessor failed regarding to the contract obligations;
 - 8) illegal source was used to pay property cost;
 - 9) other violations of this law and other laws.

2. State Property Commission will make solution on illegality of privatization according to the part 1 of this Article and on loss compensation.

3. *road* In case of illegal privatization, State Property Commission shall take measures to eliminate loss, protect property, and to make solution about further procedure.

4. If related person will not accept the State Property Commission resolution, he can apply to court.

Article 63. Financial source to pay privatized property cost

1. A new possessor shall cover the privatized property cost by own and legally obtained domestic and foreign credit resources (security).

- 2. Government can lend to a new possessor from privatization fund and other sources according to the legislation.
3. It is prohibited to use other sources, except indicated in part 1 of this Article, to buy privatized property.

Article 64. Privatization revenue

1. Privatization revenue will consist of all kind of privatization fees, privatized property cost and donations given for this purpose.
2. Privatization revenue shall be given to the central government budget and used only for investment program.

Article 65. Privatization reporting

1. For each case of privatizing, official conducted the process shall write a report and submit to the State Property Commission. Report model (form) shall be approved by the Commission. The following items shall be indicated in a report:
- 1) privatized property inventory and evaluation;
 - 2) authority solution to privatize;
 - 3) privatization outcome, property selling cost and payments procedure;
 - 4) concluded contract;
 - 5) property transference status.
2. Contract and property list shall be attached to the report. A report is a main legal act certifying that a state property was privatized, and shall be considered and approved by the Commission meeting.
3. Approved report shall be put in archives for special fund.

SECTION 7

Control over state property safety and protection,
registration and accounting

inspection,

Article 66. Control and inspection system

1. State control and inspection over state property safety, protection, use and disposal are consist of general control by Parliament and Government, professional auditing by State Control Committee and Finance Ministry, and own control and inspection of State Property Commission and legal person.

2. Independent inspection on property use and disposal by state owned legal person can be done upon request of State Property Commission and other authorities.
3. State Property Commission will realize system control and inspection on property safety and protection through checking actual outcome, documentation auditing and accounting on the basis of implementing related laws and Government resolutions.
4. Finance Ministry together with State Property Commission shall audit economic and financial activity of a state owned legal person not less than one time in two years, and jointly consider auditing outcome, and take necessary measures.
5. Sudden selected audit on how a state owned legal person protects the property can be done by authorities within their competences.

Article 67. Internal control

1. An authority of the state owned legal person shall organize everyday internal control on the property safety and protection, and be responsible for this to the state.
2. Control through accounting shall be responsibility of an accountant of the legal person.

Article 68. Assistant manager (in charge of stock)

1. A person with obligations to account and store stock of state and local property, to maintain it by items and quality, and to hand it by authority decision is an assistant manager (in charge of stock).

Article 69. Accounting of a state owned legal person

1. A state owned legal person shall carry out detailed and summarized accounting on the basis of guaranteed documentations of a primary accounting, and shall make quarterly balance and report to Ministry of Finance.
2. In addition to unified forms for required accounting, State Property Commission can issue forms and methodology for reporting which can be necessary for state owned legal persons.
3. A general accountant of the state owned legal person should be skilled person and appointed under agreement with Ministry of Finance.

Article 70. Inventory and its timing for a state owned legal person

1. Fixed assets, security and money inventory shall be divided as internal and country-wide.

2. Internal stock inventory shall be carried out by administration of a state owned legal person accordind to the following schedule, and included into quarterly and annual report:
 - 1) once in year for fixed assets, incompletd investment and construction works, and capital repairs (from December 1 through December 31);
 - 2) twice in year for raw materials, fuel, spare parts, ready products, goods, and packages (from June 1 and December 1);
 - 3) once in quarter for incompletd production, semi-processed items and securities (from 25th of last month of a quarter);
 - 4/ monetary capital, petroleum & lubricants, goods, packages and packaging materials at the retailing trade agents /such as shops, cafe, restaurants, hotels etc../, (by first day of each month);
 - 5/ younger, labour or pedigree livestock and animals, annually; /by December 15/;
 - 6/ settling the accounting of customs, commercial & special taxes and health & social insurances and the other annual fees with the centralized and local budget quarterly (it is obligatory);
 - 7/ checking the bank account transactions and approve the cash/statement in the bank account quarterly when obtaining the statement on the bank account;
3. State Property Committee jointly with the Statistic Bureau shall make the inventory report of the whole country, compensate the lost property, transfer or sale, liquidate the extra or out of use property and submitt report to the Government.
4. The State Property Committee shall make inventory of nominal capital and if necessary the turnover capital once in every 4 years, within the 4th quarter of first year of new Government in power .

Article 71. Preparatory requirements for the inventory of property

1. The authorative body and the chief accountant of state property legal institutions are required for inventory to complete the followings in advance:
 - 1/ to record any actions/movements and changes/amendments of the nominal capital in the account comprehensive record book and provide it with the complete technical & technological data papers,
 - 2/ to audit the income and expenditure of goods, materials, and valuable items and check the list completed by the liable person with the statement registration book,
 - 3/ to check the raw materials, materials, production and equipments kept at the warehouse and sort out the maintenance,

- 4/ to transfer to the warehouses the extra items of nominal capital such as raw materials, semi-processed items, productions and second-hand raw materials kept by the industrial branches and units, keep a record-check book on items of out-of-use and determine the percentage of investment for the incompleated works and construction;
- 5/ to make ready the livestock and animal for inventory by its owners
- 6/ to check and confirm the equipments and means of the inventory, make price list and normal amortization standard of the goods,
- 7/ to sale or liquidate the nominal capital such as raw materials, productions, goods that had been decided to do so by the previous inventory,
- 8/ to complete with all debt matters,

Article 72. The rights and obligations of the Inventory Commission

- 1. The authoritative body of state property legal institutions shall appoint the Inventory Commission comprising of officials liable for property maintenance and the other proffessional bodies.
- 2. The Decision to establish the Inventory Commission shall indicate the commencing and ending period of inventory by every branch and sector.
- 3. The State Property Copmmittee shall appoint an assistant representative who supervises & coordinates the inventory process.
- 4. The Inventory Commission has the following obligations:
 - 1/ to complete the inventory correctly, properly and in time,
 - 2/ to record the cost of the property, checking it with market price. together with the distributors' invoice in the registration book,
 - 3/ to check good order in warehouses, its property maintenance & protection, initial stage registration, guarantee of the measuring equipments,
 - 4/ The Commission meeting shall discuss the result of inventory, transfer the confirmed inventory registration with relevant facts & papers to the chief accountant on a special list form ,

5/ list those property, raw materials, goods that unsuitable for use due to damage, bad quality, broken or bought at a higher price or sold at a lower price comparing to the market price and recommend to compensate or liquidate them.

5. The rights of the Inventory Commission:

1/ To obtain a guarantee from the liable person that all documents on income & expenditure have been transferred to the accountant and check it with the accountant in advance to the inventory,

2/ to demand the relevant bodies to seal the valuable items, cash fund, warehouses and guard them in advance to the inventory,

3/ to halt completely any transactions of raw materials, goods, monetary capital during the inventory process, and to permit certain amount of transaction to keep the normal working condition of the industry .

Article 73

Procedure on providing assets' inventory

1. A difference of a balance of current and noncurrent assets and a balance which should be according to an accounting registry shall be estimated according to suitable procedures as follows:

1/ deficit not extending a norm of normal deterioration shall be written to industrial, service expenses;

2/ surplus and deficit of value of goods with same types and same prices belonging to one person responsible for it may be mutually compared and closed up;

3/ it is prohibited to close a deficit of value of inventory by surplus of other values, or a deficit accounted on one person responsible for property by surplus of another person responsible for property, or a deficit by surplus of same values appeared in different period of time;

4/ a deficit extending a norm of normal deterioration, harms caused by damages shall be estimated on average market price at present and compensated by guilty individuals. In appearance of on purpose deficit caused or disposed, a case shall be transferred by competent legal person to legal organization within 7 days.

2. An accountant of organization shall reflect a balance, a difference of current assets, inventory and values present during ending inventory into an accounting registry within 5 days from the date of approval of report on inventory and revise balances of accounts by comparison.

Part 8

Local Property items

Article 74. The concept of the local property items

1. The local property items comprises of the common/ public property and the local own property
2. The property of local public utility comprises the property that for the public utility of the local population,

Article 75. Obtaining of property from the local property

The property can be obtained from the local property by the following ways;

- 1/ Property that created in accordance with the Article 6, paragraphs 1 to 4.
- 2/ Property that supplied/distributed from the state property in accordance with the laws and regulations ,
- 3/ Property obtained, as share profit, by legal entity with participation of local property ,
- 4/ Property which was created under due process of Laws.

Article 76. Abandonment of the right to ownership of local property

The right of the ownership of local property shall be abandoned under due process of the Civil Law and other Laws.

Article 77. Powers of the Hural of Representatives of citizens in respect of local property

1. The Hural of Representatives of citizens, as the representative of the population, is the owner of respective aimak, the capital city, soum and districts' property .
2. The Hural of Representatives of citizens shall exercise the following powers to enjoy, use and dispose local properties:

- 1) to undertake measures on the maintenance and protection of local properties and supervise control,
 - 2) to consider and analyse the annual work statement and inventory report submitted by Presidium of the Hural of Representatives of citizens and Governor in exercising their powers to enjoy, use and dispose local properties and to give an instructions,
 - 3) to consider and approve the list , plan and sources of nominal capitals which are subject to privatization and transfer to others or acqiurement. Also the Hural of Representatives of citizens approves list of properties which are subject to privatization after consultation with State Property Committee.
 - 4) to take decisions on establishment , re-organization or liquidation of local properties and supervise control,
3. Issues regarding the conveyance of nominal capitals to others and acqiurement of new property shall be decided exclusively by the Hural of Representatives of citizens. In between the sessions of the Hural of Representatives of citizens issues shall be decided by th Presidium of the Hural.
4. In between the sessions of the Hural of Representatives of citizens the Presidium of the Hural shall exercise powers provided for in Section 2 of present Law and is accountable to the Hural of Representatives of citizens for its activities. The Presidium of the Hural also appoints a representatives to the share hold entity with participation of local properties and supervises their activities.
5. Officer or office shall serve at the Local governing Bodies in charge of local properties.

Article 78. Power of Governors in respect of local properties

1. The Governor shall be responsible for fulfillment of the decisions regarding the local properties taken by the Hural of Representatives of citizens in conformity with government policy.
2. The Governor shall exercise following powers:
 - 1) to enjoy, use and dispose local properties within his powers given by the Hural of Representatives of citizens,
 - 2) to appoint representative to share hold entity with participation of local properties,
 - 3) to propose to the Presidium of the Hural a candidates for appointment or replacement of representatives in charge of local properties,
 - 4) to keep a general register book-record of local properties and to make an inventory of local properties,

- 5) to provide local property organization with all necessary belongings,
- 6) to handle privatization process of local properties under the control and methodical supervision by specialist of the State Property Committee,
- 7) to guide effectively the officers or office in charge of local properties,

Article 79. Property right of legal entity with participation of local properties

Legal entity, with participation of local property, shall exercise rights provided for in Articles 14, 16, 17 and 21 of present Law.

Article 80. Procedure of enjoyment, use and disposal of local properties

Matters related to enjoyment, use and disposal of local properties shall be regulated in accordance with provisions of Part 5 of present Law.

Article 81. Privatization of local properties

- 1. The privatization process of local properties shall be guided by procedures and forms discribed in Part 6 of present Law.
- 2. The Hural of Representatives of citizens, if it considers necessary, may ask the State Property Committee to handle privatization process.

PART 9

Final provisions

Article 82. Responsibility to be borne by those infringing the law and regulations

If those infringing law and regulations on the state and local properties shall not be subject to criminal penalties the authority of the State Property Committee has the right to impose following punishments according to the nature of infringements:

- 1) those officials shall be fined 30000-60000 tugriks, who are donated, offered as gift, mortgaged, borrowed and invested as property of other legal entity the state property without permission of respective Authorities and losses shall be compensated.
- 2) those perpetrators shall be fined 25000-60000, who are sold and leased state property in an infringing procedures discribed in present Law and losses shall be compensated.

Article 83. Promulgation of the law

The Part 6 of present Law enters into force on the same day as present Law enters into force.
Other Parts of present Law enter into force on 1st of August, 1996.