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BREIF: ESTABLISHING A COMPANY IN MONGOLIA: LEGAL AND PRACTICAL CONSIDERATIONS

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Establishing a new company in Mongolia is relatively easy, however as with any country, there are unique legal and business practices which require careful consideration and planning.

PROCEDURES

There are four official steps to establishing a company in Mongolia. Firstly, a name for the new company must be formally registered, along with sector in which the company will operate.

This can be done via filing an application for reservation of the legal entity's name with the Legal Entity Registration Office (LERO). LERO will verify and confirm the proposed name of the new company by checking it for similarities with other previously registered corporate names. LERO will confirm the name of the new company if it is not too similar to the name of an existing legal entity. A newly confirmed name will be reserved for 10 business days. At this stage, the new company does not yet possess its own legal personality.

Secondly, a bank account must be established in the name of the new company. For a new company established by one or more foreign shareholder, USD \$100,000 for each foreign shareholder must be deposited into the account.

Thirdly, the company must be formally registered with the LERO. LERO will decide whether or not to register the new company 10 working days after receiving application documentation for a foreign invested company, or within 2 working

days after receiving application documentation for other companies. The completion of this process establishes the new company as its own legal person.

The final official stage of establishment is to obtain a formal company seal (stamp) for the new company. The stamp will be used to execute contracts and official documentation. After each of these steps has been completed, the new company is ready to start operations.

For certain specialized areas of operation, an official license may be required for the company to conduct its business in compliance with the law.

According to The World Bank's Doing Business 2016, Mongolia ranked 56 out of 189 countries this year, in a survey of survey of countries worldwide measuring the ease at which a new company may be established. Last year, Mongolia ranked 59 out of 189 countries. In most cases, the timeframe for establishing a new company in Mongolia, including preparing application documentation and official review and approval time, is about 15 days.