

**LAW OF MONGOLIA  
ON COOPERATIVE**

January 8, 1998  
Ulaanbaatar city

(Turiin medeelel #2, 1998)

**CHAPTER ONE  
GENERAL PROVISIONS**

**Article 1. Purpose of the law**

1.1. This law shall determine the legal basis for the structure and activities of cooperatives, and regulate the relations arising from the establishment, registration of the cooperative, termination of its activities, membership, and supervision over the cooperatives and enforcement of the legislation on cooperatives.

**Article 2. Legislation on cooperative**

2.1. Legislation on cooperative shall consist of the Civil Code, the present law and other laws and regulations which are consistent with them.

**Article 3. Cooperative and types of its activities**

3.1. Cooperative is a legal entity established by individuals on a voluntary basis for the purpose of satisfaction of their social and cultural needs, governed and supervised in a democratic and collective manner and conducts its business based on common ownership of its members.

3.2. Cooperatives may establish a joint cooperative with other cooperatives and entities in order to undertake joint activities. Not below 51 percent of members of the joint cooperative shall be cooperatives.

3.3. Legal requirements for the joint cooperative shall be the same as for the cooperative stated in article 3.1 of the present law.

3.4. A cooperative shall conduct the following types of activities:

- 3.4.1. Rough materials proceeding;
- 3.4.2. Industrial;
- 3.4.3. Savings and loans;
- 3.4.4. Selling, supplying;
- 3.4.5. Service;
- 3.4.6. Constructions;
- 3.4.7. Consumers;
- 3.4.8. Others which stated in charter.

**Article 4. Right to economic foreign relationship of the cooperative**

4.1. A cooperative may participate independently in foreign business transactions.

### **Article 5. Liabilities of a cooperative**

5.1. A cooperative shall be liable for its obligations arising from its business activities with its own capital only.

5.2. If a cooperative is unable to pay, members of a cooperation shall take responsibility for an outstanding amount. Threshold amount to be paid by the members of a cooperative shall be defined by its charter.

5.3 A savings and loan cooperative shall be liable for its obligations arising from its activities with its own capital.

## **CHAPTER TWO ESTABLISHMENT AND REGISTRATION OF COOPERATIVES**

### **Article 6. Membership threshold**

6.1. A cooperative shall be established by no less than nine individuals, and a joint cooperative shall be established by no less than two legal entities.

### **Article 7. Name of cooperative**

7.1. A cooperative shall have its own name. The abbreviation of "χορσσο" /"cooperative"/ shall follow the name of cooperative

7.2. A cooperative shall not be named after any of its members.

7.3. Name of cooperative shall not be used or named by other cooperatives.

### **Article 8. Assets of cooperative**

8.1. The assets of cooperative shall consist of the following sources:

8.1.1. The contribution of the members;

8.1.2. The fees for admission to the membership, if provided in the charter;

8.1.3. Assets distributed from its profit into its reserves and emergency funds;

8.1.4. Donations and grants;

8.2. The assets of cooperative shall be accounted for in compliance with the Accounting law and in addition the following details shall be recorded in relation to each member:

8.2.1. The member's contribution of assets contributed in-kind and cash.

8.2.2. The members' share of assets remaining in the cooperative fund valued according to the procedure on distribution of profits to members expressed in cash value.

8.2.3 The amount of donations and grants distributed equally to members expressed in cash value.

8.3 The asset savings and loan cooperative shall consist of contributions of members, reserve fund, non-distributed profits, donations, social development fund and a net income of the year.

8.4 The rule of determination of appropriate requirements and emergency fund threshold of savings and loan cooperative shall be specified and controlled by Committee on Financial Regulatory.

### **Article 9. Charter of Cooperative, its content**

9.1. The founding document of a cooperative shall be its charter.

9.2. The charter of a cooperative shall be approved by the meeting of all members.

9.3. The followings shall be stated in charter:

9.3.1. The name and address of the cooperative;

9.3.2. The names, addresses and passport and personal numbers of the members;

9.3.3. The objectives of the cooperative, type of activities;

9.3.4. Period of business continuation;

9.3.5. The mandatory amount of the contribution, date and method of accumulation of contributions;

9.3.6. The allowed threshold of additional contributions by the members except the mandatory contributions;

9.3.7. The method of appraisal of contributions;

9.3.8. Procedures of accounting income and expenditure of the cooperative, their registration and distribution;

9.3.9. A fiscal year;

9.3.10. The conditions and procedures of involvement of non-members into the business activities of the cooperative;

9.3.11. The procedures for admission to and withdrawal and exclusion from membership and the rights, duties and liabilities of members;

9.3.12. The nature of services to be provided to members;

9.3.13. The management of the cooperative, its powers, the procedure of issuing decisions, liabilities;

9.3.14. The methods and forms of accumulating the safety funds against possible loses, percentage of the annual income to be transferred into safety funds, minimal threshold amount of the fund;

9.3.15. The grounds, procedures of establishment of branches and representative offices of the cooperative and their the rights, duties and liabilities;

9.3.16. The internal and external auditing of activities of the cooperative;

9.3.17. The grounds for reorganization and liquidation of the cooperative;

9.3.18. The grounds and procedures for entering into and withdrawal from the cooperative's association;

9.3.19. Other provisions;

## **Article 10. Amendments and alterations to the charter**

10.1 Amendments and alterations to the charter of the cooperative shall be discussed only by the Meeting of the members and shall be made with the consent of the absolute majority of members present at the meeting.

10.2 The following amendments and alterations shall be made with the vote of three fourth of members' meeting:

10.2.1 The alterations of the type of business activities of cooperative;

10.2.2 The alterations to the mandatory contribution amount;

10.2.3 The alterations to the threshold amount to be paid by the members for the outstanding liabilities of the cooperative;

10.2.4 Liquidation and reorganization of the cooperative

10.2.5 Mandatory purchase of certain part of cooperatives' goods, works and services by the members;

10.3 Decision of the Meeting of members on the amendments and alterations to the charter shall be announced to the registration authority within 10 days upon its approval.

## **Article 11. Registration of cooperative**

11.1 The management board of a cooperative shall apply to the due local registration authority for registration of a cooperative within 30 days upon the charter of a cooperative is adopted.

11.2 The following shall be attached to the application:

11.2.1 Two copies of the charter signed by the promoters of a cooperative.

11.2.2 Name list of promoters, passport and personal numbers of promoters.

11.2.3 The Minutes of meeting stating the election of the management board and auditing board.

11.3 If the registration authority considers that the present law is observed, it shall register the cooperative in the state registry and issue the certificate within 14 days.

11.4 While registration the registry shall make notices to the charter to certify it and return one copy (to the cooperative).

11.5 If it is decided that the charter does not comply with the legislation, the registry shall issue a resolution to refuse the registration of a cooperative, stating the grounds for it and officially inform promoters with return of documents to the latter.

11.6 If promoters object to the resolution, they may appeal to the Court.

## **Article 12. Announcement of registration of a cooperative**

12.1 The registry shall make a public announcement on a subject of registration of a cooperative.

12.2 The announcement shall include the following:

- 12.2.1 Date of the registration;
- 12.2.2 Name and address of a cooperative;
- 12.2.3 The type of business activities;
- 12.2.4 Content of the management board;
- 12.2.5 Threshold amount of payments to be made by the members in case of an outstanding liability of a cooperative;

## **CHAPTER THREE**

### **MEMBERS OF COOPERATIVE**

#### **Article 13. Admission to the membership of cooperative**

13.1 An individual or a cooperative capable of benefiting from cooperatives' services and taking responsibility for it, and which accepts the charter of cooperative may voluntarily admit to a cooperative.

13.2 An applicant for the membership in cooperative shall apply to the management board of the cooperative and unless it is not stipulated otherwise in a charter the membership shall be granted by the members' Meeting.

13.3 The management board shall provide the registration authority with the application for a membership and decision of the members' meeting on admittance to a membership for registration.

13.4 The management board and the auditing board of a cooperative shall be comprised of the members of a cooperative.

#### **Article 14. The rights of a member**

- 14.1 A member of cooperative shall have the following rights:
- 14.1.1 To have an appropriate service of a cooperative in accordance to the present law and the charter of a cooperative;
  - 14.1.2 To be voluntarily withdrawn from and re-admitted to a cooperative;
  - 14.1.3 To participate in activities of a cooperative, to be eligible for election to and elect the management board and auditing board;
  - 14.1.4 To attend the members' meeting with the rights to ask, suggest and vote;
  - 14.1.5 To suggest to convene an extra ordinary meeting of the members;
  - 14.1.6 To share in the distribution of the cooperatives' annual income in accordance to the procedures;
  - 14.1.7 To demand the statement of the auditing board of the cooperative before the approval of the annual report by the members' meeting;
  - 14.1.8 To study the minutes of the members' meeting;
  - 14.1.9 To study the registration of the members of the cooperative;
  - 14.1.10 To exercise any other rights provided in legislation and charter;

14.1.11 Unless otherwise provided in legislation and charter a member can be a member of other non –competitive cooperative and investor of other legal entities.

### **Article 15. The duties of a member**

15.1 A member of cooperative shall have the following duties:

15.1.1 To participate personally in activities of a cooperative;

15.1.2 To obey the present law, the charter of a cooperative and decisions of the members' meeting; to transfer the due amount of the contribution in a timely manner;

15.1.3 To execute his, her or its obligations before other members and a cooperative according to the agreement;

15.1.4 In case of a change of address to inform a cooperative accordingly;

15.1.5 To exercise any other duties as specified in legislation and the charter of a cooperation;

### **Article 16. Contribution of a member, shares in distribution**

16.1 Upon admittance to a cooperative a member shall become an owner of an appropriate share of cooperatives' assets shall have the rights and duties of a member.

16.2 A grand total of a members' contribution determines his shares in a cooperatives distribution.

16.3 Shares in distribution of a member are equal to the amount of difference between the grand total of his contribution (mandatory contribution, additional contribution and collaboration) annual income and loses of a cooperative.

16.4 A contribution and collaboration of a member may have a form of assets, cash payments and evaluated works, services and intellectual property.

16.5 A cooperative may distribute its income on basis of the grand totals of contributions of members.

16.6 The majority of the members' meeting, basing on a joint proposal of the management and auditing boards shall determine a distribution of income.

16.7 Unless otherwise provided in charter a cooperative shall determine a distribution of income within 4 months from the end of fiscal year.

### **Article 17. Withdrawal from the membership**

17.1 Withdrawal from the membership may be on the following grounds:

17.1.1 By the members' own request;

17.1.2 The members' residence has moved from the location of a cooperative and therefore his personal participation in management of a cooperative has become impossible;

17.1.3 The member has transferred all his contributions (shares) to others;

17.2 Death of the member shall be considered as his withdrawal from the membership;

17.3 The member must notice in written about his intention to withdraw at least three months prior to the end of a fiscal year of a cooperative;

### **Article 18. Exclusion from the membership**

18.1. Exclusion from the membership may be on the following grounds:

18.1.1. The member has not fulfilled his obligations specified in the law and the charter;

18.1.2. The member has repeated the misconduct after reminder of the management board on the exclusion from the membership on the grounds stated in article 18.1.1;

18.1.3. The member has created a competing cooperative, contributed to a such or withdrawn shares from a such and has contributed to a cooperative;

18.1.4. Other grounds stated in the charter of a cooperative and in compliance with the present law;

18.2. Unless otherwise provided in the charter, exclusion from the membership shall be decided by the members' meeting.

18.3. Before decision on the exclusion from the membership is made the member shall be noticed about the grounds and reasons for his exclusion and the member may make a clarifications.

18.4. A decision on the exclusion from the membership shall clearly state the grounds and reasons of it.

18.5. Upon adoption of the decision on the exclusion from the membership the rights of the member are terminated.

18.6. If the member is not agree with the decision on exclusion from the membership may apply to the auditing board within 14 days.

18.7. If the member is not agree with the decision of the auditing board, he may appeal to the Court in a duly course.

### **Article 19. Counting with the member withdrawn or excluded**

19.1. Counting with the withdrawn or excluded member shall be in accordance to the related laws, regulations, other legislation and the charter of a cooperative.

19.2. If a member transferred his contribution (shares) to others, counting is not required.

19.3. A withdrawn, excluded member is obliged to make his part of payments to the cooperatives' counterpart business entities, organizations and individuals as the other members of a cooperative in accordance to the procedure set up in the present law.

19.4. Unless otherwise stated in the charter a withdrawn or excluded member shall be counted in end of a fiscal year.

**Article 20. Transfer of shares to others**

20.1. The member of a cooperative is entitled to transfer his contributions (shares) to others whenever he wants in compliance to written contract.

20.2. A grand total of a member's own contribution and shares received by him as specified in article 20.1 shall not exceed the limit of allowed sealing for one members' contribution.

**Article 21. Transfer of the rights of the member to his legatee**

21.1. In case of death of the member his rights shall be transferred to his legatee.

21.2. If the number of legatees is two or more they shall have one vote until the membership matters are resolved.

21.3. Admittance of a legatee to the membership shall be considered by the members' meeting.

**CHAPTER FOUR  
THE MANAGEMENT OF COOPERATIVE**

**Article 22. The management of cooperative**

22.1 A cooperative shall have a members' meeting, the management board and, the auditing board. The charter of a cooperative may state other institutions of the cooperative (i.e. counsel of members) or other organizational forms in cooperative.

**Article 23. The members meeting**

23.1 The members meeting shall be a cooperatives' supreme authority.

23.2 The members of a cooperative shall exercise their rights to manage the activities of a cooperative through the members' meeting.

23.3 The members' meeting shall be held at least once a year.

23.4 The following matters shall be decided by the members' meeting:

23.4.1 The alteration of or amendment to the charter of the cooperative;

23.4.2 The appointment, discharge of the management board and auditing board, approval of the report on their activities;

23.4.3 Withdrawal of the membership of the members of the management board, auditing board;

23.4.4 Recovery of loses arisen from malpractice of the members of the management board, auditing board by the malpracticioners;

23.4.5 The determination of the grounds and procedure of disposal of assets;



23.4.6 The return of a members' contribution, set up of limits for extension and receipt of credits;

23.4.7 Set up of admittance fee amount;

23.4.8 The approval of the cooperatives' balance sheet, and the distribution of its profit; development of a recovery plan for loses, if the latter took place; discussion of the report of the Cooperatives' association, auditing board; approval of the expenditure budget;

23.4.9 The establishment of, admittance to a joint cooperative, enter a cooperatives' association;

23.4.10 The reorganization, liquidation of the cooperative

23.4.11 Any other matters stated in the legislation;

23.5 The members' meeting shall be valid at the presence of the absolute majority of the members.

23.6 Unless otherwise stipulated in the law decision shall be made by the consent of majority of the members meeting' present at the meeting.

23.7 Every member of the cooperative shall have one vote at the members' meeting regardless of the contribution amount.

23.8 Questions not included in the agenda of the meeting shall be considered at the presence of all members except those who have a reasonable excuse for absence and shall be accepted only by the absolute majority of votes.

23.9 Every member of the cooperative shall vote personally.

23.10 If the member of the cooperative or a joint cooperative is unable to attend the meeting, he or it may exercise his or its rights specified in article 23.9 by his representative duly authorized with a procuration.

23.11 Election, discharge of the management board, auditing board and the cooperatives' Director, the chart of their duties, termination of the cooperative shall be decided by the consent of the absolute majority of the members' meeting.

#### **Article 24. Procedure for convention of the members' meeting**

24.1 The management board shall announce the members' meeting.

24.2 If the management board is not in function the auditing board shall announce the members' meeting.

24.3 By the demand of not less than one third of the members the extra ordinary members' meeting shall convene.

24.4 The request for the members meeting shall be in written, signed by the members and stated the grounds and reason for meeting.

24.5 In case specified in article 24.3 the management board shall notice the members about the grounds, reasons and agenda of the meeting.

24.6 When the management board, auditing board did not perform their obligation as specified in articles 24.2 and 24.5 an urgent meeting of the members shall convene to decide the replacement of the members of the aforesaid boards.

### **Article 25. Date and location of the members meeting**

25.1 The ordinary meeting of the members shall convene within 6 months after the end of a fiscal year.

25.2 If necessary an extra-ordinary meeting may convene whenever.

25.3 Unless other location is appointed the members' meeting shall convene at the head-quarter of the cooperative.

### **Article 26. Form of announcement, terms**

26.1 The date and the agenda of the ordinary meeting shall be announced not less than 30 days prior the meeting.

26.2 The preparatory works of the members' meeting shall be arranged by the management board.

26.3 It is allowed to amend the problems not requiring any decision or having informatory character into the agenda not less than for 3 days prior the meeting.

26.4 Article 26.3 shall not apply to the matters of chairing the meeting or in case of an extra-ordinary meeting.

### **Article 26<sup>1</sup> Representatives' Meeting**

26<sup>1</sup>.1. If considered necessary, an ordinary cooperative which has above 100 members may have a Representatives' Meeting instead of Members' Meeting.

26<sup>1</sup>.2 Unless otherwise stipulated in the charter, all provisions, except Articles 23.4.1, 23.4.5, 23.4.10, 23.10 and 26<sup>1</sup>.3, related to the Members' Meeting, shall equally apply to the Representatives' Meeting.

26<sup>1</sup>.3. The number of members at the Representatives' Meeting, term of its mandate, and regulations related to election of representatives and voting results, representation of several members by one representative shall be determined by the Members' Meeting.

The Representatives' Meeting shall consist of no less than 25 percent of all members with voting rights.

26<sup>1</sup>.4 Unless otherwise stipulated in the charter, a representative shall be elected by the Members' Meeting through secret ballot. The representative shall not transfer his or her powers to any third person.

26<sup>1</sup>.5 The voting rights of any representative shall be determined as the total of voting rights of the members of the cooperative which he or she is representing.

26<sup>1</sup>.6 The Representative shall be a member of the cooperative.

### **Article 27. The management board**

27.1 The management board shall preside the cooperatives' activities between the members' meetings.

27.2 The management board shall comprise of the Chairman and not less than two members of the board. The Chairman of the board shall be Director of a cooperative.

27.3 The management board shall represent a cooperative.

27.4 Representation of a cooperative by the management board shall be upon the approval of the majority of members.

27.5 The management board shall convene not less ones in two months.

27.6 The management board shall be responsible for keeping records in compliance with the legislation, to inform the auditing board immediately upon the receipt of the annual report and present the report for the members' meetings' consideration.

27.7 The management board is obliged to announce immediately the members' meeting if the annual or interim report states or by the approximate calculation the loses are exceeding 50 percent of a cooperatives' assets and these loses can not be recovered by the safety funds, and present the issue for the meetings consideration.

27.8 The threshold limit of credit which can be allowed to the members shall be determined by the management board.

#### **Article 28. Liabilities of the management board**

28.1 The management board shall keep safely the information considered as the cooperatives' secret.

28.2 If the member of the management board has breached the legislation and the charter of a cooperative shall be responsible for the following:

28.2.1 If used the shares or incomes of the other members for personal purposes;

28.2.2 If paid from the assets of the cooperative;

28.2.3 If caused the insolvency or brought the cooperative to the bankruptcy;

28.2.4 If extended credits from the assets of the cooperative;

28.3 The management board is not liable for loses caused be the activities approved by the members meeting.

#### **Article 29. Registration of members**

29.1 The management board shall register the members of the cooperative.

29.2 The Registration shall reflect the following:

29.2.1 The names, residence addresses, the names of the member cooperatives, address of their head quarters;

29.2.2 The type, amount of the contribution made;

29.2.3 The income and assets distributed to the member;

29.2.4 The withdrawal and exclusion from membership;

**Article 30. Availability of the registration**

30.1 The member of a cooperative has a right to be introduced to his registry data.

30.2 The member of a cooperative has a right to be introduced to the registry data of other members in compliance with the legislation and the charter.

30.3 The person introduced to the registry data shall keep this information safe.

30.4 The person obtained the registry information may use it only for the purposes to which he initially applied.

**Article 31. Director of cooperative**

31.1 The director of a cooperative shall preside the members meeting and sign the decision made by the members' meeting and the management board.

31.2 The director of a cooperative shall sign the trust documentation to represent a cooperative;

31.3 Appoints the executive director by the recommendation of the members meeting and concludes a contract with the Executive director.

**Article 32. The auditing board**

32.1 The auditing board shall be established by the members' meeting for the purpose of supervising the activities of the management board and ensuring the fulfillment of the independent auditors' decisions.

32.2 The auditing board shall be comprised of no less than three members.

32.3 The head and his deputy shall be appointed from the members of the board.

**Article 33. Member of the auditing board**

33.1 The members of the auditing board shall participate in the meeting of the management board with a right to advice.

33.2 The withdrawal of the member from the board, his exclusion from the membership of the cooperative shall be decided by the three fourth of voting members present at the meeting.

33.3 A member of the auditing board may not be elected to the management board.

33.4 All expenses of a member of the auditing board arisen from performance of his duty shall be reimbursed from a cooperative. A member of the auditing board may be financially encouraged by the decision of the members meeting.

**Article 34. Meeting of the auditing board**

34.1 The meeting of the board shall be announced by the Head of the board or by his deputy during his absence.

34.2 With the presence of the majority of the board the meeting shall be considered valid.

34.3 Only the Head or his deputy shall preside the meeting.

34.4 The meeting shall convene no less than once per quarter.

34.5 The auditing board shall convene an extra-ordinary meeting by the demand of the management board, or by demand of more than 50 percent of the

auditing boards' members' or if the Head of the auditing board considered its necessity.

**Article 35. Power of the auditing board**

35.1 The auditing board shall exercise the following power:

35.1.1 The supervision over the management boards' activities, takes for this purpose any documents deemed relevant, obtains information and reports, introduces to and inspects the balance sheets and other documents;

35.1.2 To issue recommendations, conclusions about the annual report and interim information, on distribution of income and on how to recover loses, and present its recommendations and conclusions for the members' meetings' consideration;

35.1.3 To convene the members meeting, if necessary;

35.1.4 To approve the management board to extend the credit in compliance with the legislation and the charter of a cooperative;

35.1.5 Other powers stipulated in the legislation and the charter of a cooperative;

35.2 If necessary the auditing board may hire an independent expert.

**CHAPTER FIVE**

**THE ASSOCIATION OF COOPERATIVES**

**Article 36. The Association of Cooperatives**

36.1 The Association of Cooperatives shall supervise whether the cooperatives are conducting their activities in compliance with the legislation and their charters, inspect the activities, structure, finance, business of the cooperatives and provide them with the general guidance.

36.2 The Association of Cooperatives shall be an NGO with the membership.

36.3 Other issues related to the Association of Cooperatives which are not covered by this law shall be regulated by the Law on non-governmental organizations.

**Article 37. Functions of the Association of Cooperatives**

37.1 The Association of Cooperatives shall exercise below mentioned powers:

37.1.1 To inspect the structure and activities of a cooperative and to issue a resume;

37.1.2 To obtain information on the account, financial statements, balance sheets and other documents of a cooperative;

37.1.3 To provide a policy for expanding the cooperative movements in a local stage and throughout the country, and development of cooperatives;

37.1.4 To assist cooperatives in their activities, provide them with professional and methodological advises;

37.1.5 To organize training and re-training of cooperatives' staff;.

37.1.6 To protect the rights of cooperatives and to support them, and to cooperate with governmental and non-governmental institutions to develop a policy of a human recourses;

37.1.7 To provide cooperatives with a professional assistance to keep their records, revise and ensure their balance sheets;

37.1.8 To exercise certain powers of the Government transferred to the Association by the law;

37.1.9 Other powers as stipulated in the legislation and the charter;

## **CHAPTER SIX**

### **LIQUIDATION OF COOPERATIVE**

#### **Article 38. Liquidation of a cooperative by decision of the members meeting**

38.1 A cooperative may be liquidated by the decision of the members' meeting.

38.2 A decision to liquidate a cooperative shall be approved by the three fourth of the members.

38.3 A decision to liquidate a cooperative shall be provided to the registration authority within 7 days.

#### **Article 39. Liquidation of a cooperative by the Court judgment**

39.1 The Court may liquidate a cooperative on the following grounds:

39.1.1 Bankruptcy;

39.1.2 The number of members of a cooperative is less than required by the legislation and a cooperative did not dissolve voluntarily;

39.1.3 A cooperative conducted business not specified in the legislation and the charter;

39.1.4 A multiple or a serious breach of the law by a cooperative;

39.1.5 Other grounds stated in the legislation;

#### **Article 40. Notice of liquidation**

40.1 A person issued decision on the liquidation of a cooperative shall notice the state registration authority within 3 days.

40.2 A liquidation committee shall make a public announcement that the notice of decision on the liquidation of a cooperative is forwarded to the state registration authority.

40.3 Creditors of a cooperative shall be noticed separately.

#### **Article 41. Nomination of a liquidation committee**

41.1 A liquidation of a cooperative shall be performed by a liquidation committee nominated by a person issued decision on liquidation.

41.2 If a liquidation committee is not nominated by the members meeting of a cooperative, it may be nominated by the auditing board of a cooperative, or by the management board of the Association of Cooperatives.

41.3 If necessary, a liquidation committee may be dissolved by decision of a person nominated the committee prior a due time.

**Article 42. Notice of a liquidation committee to the registration authority**

42.1. The members of a liquidation committee shall be noticed to the registration authority, and the related documents forwarded to the registration authority.

**Article 43. Signature of a liquidation committee representing a cooperative**

43.1 The members of a liquidation committee shall sign the documents representing a cooperative making a notice on behalf of the name of a cooperative: "being liquidated".

**Article 44. Increase of contributions during a liquidation**

44.1 If during a liquidation assets of a cooperative will be found less than its liability, the outstanding liabilities shall be covered by the additional contributions of a members which did not contribute the allowed maximal amount.

**Article 45. No increase of liabilities after termination of cooperative activities**

45.1 Neither an amount of a mandatory contribution, nor threshold amount for gaining the outstanding liabilities of a cooperative shall be increased after termination of cooperative activities.

**Article 46. Period of prohibiting a distribution of assets**

46.1. Claims against the cooperative assets shall be satisfied in accordance to article 31.1 of the Civil Law of Mongolia.

46.2. If a person entitled to claim against the cooperative assets is in a conditions not allowing to do so he shall be satisfied as well.

46.3. An amount of payment subject to dispute shall be put aside and the remains of cooperative assets shall be distributed amongst the members.

**Article 47. Distribution of cooperative assets amongst the members**

47.1. After satisfaction of all claims of a counterparts against the cooperative assets the remains of cooperative assets shall be distributed amongst the members as specified in articles 14 and 16 of the present law.

47.2. Shares to be distributed amongst the members shall be determined on basis of the initial report of liquidation.

47.3. If a member contributed an additional amount in accordance to article 44 of the present law he is entitled to receive that amount first of all.

47.4. The remains of cooperative assets shall be distributed as an equal shares after all distributions of shares to the members are made.

47.5. A charter may prohibit a distribution of shares or set up order of distribution other than specified in the present law.

#### **Article 48. Remains of cooperative assets not subject to distribution**

48.1 If there are remains of cooperative assets not subject to distribution and there is no provision governing for its allocation, these must be transferred for public use into the property of the Capital, aimag, sum or district in which a head quarter of a cooperative used to be situated.

### **CHAPTER SIX<sup>1</sup>**

#### **SAVINGS AND LOAN DISBURSEMENT ACTIVITIES OF THE COOPERATIVE**

#### **Article 48<sup>1</sup> Savings and loan disbursement activities**

48<sup>1</sup>.1 The cooperative which carries out savings and loan disbursement activities shall have no less than 20 members.

48<sup>1</sup>.2 The following points shall be stated in the charter of the cooperative which carries out savings and loan disbursement activities:

48<sup>1</sup>.2.1. Regulations on savings and loan disbursement activities;

48<sup>1</sup>.2.2. Mutual rights and obligations of the cooperative and its members;

48<sup>1</sup>.2.3 Regulations on the establishment and disposal of the loan fund, loan reserve fund and other funds;

48<sup>1</sup>.2.4 Regulations on the participation of the Loan Disbursement Committee and other structural bodies of the cooperative in the savings and loan disbursement activities of the cooperative;

48<sup>1</sup>.3. The savings and loan disbursement activities of the cooperative shall be carried out on the basis of a license granted by the Regulatory Committee for Finance.

48<sup>1</sup>.4 The activities concerning the license stated in the article 48<sup>1</sup>.3 shall be regulated by the Law on Licensing .

#### **Article 48<sup>2</sup>. Savings activities of the cooperative**

48<sup>2</sup>.1. The cooperative may hold and receive cash deposit funds for its members.

48<sup>2</sup>.2. The savings activities of the cooperative shall take place on a contractual basis in accordance with Articles 454-456 of the Civil Code.



48<sup>2</sup>.3. The cash deposit funds held by the cooperative shall not be considered as a part of its property. The capital of the cash deposit funds may only be used as a resource for the cooperative's loan disbursement fund.

48<sup>2</sup>.4. If the cash deposited at the cooperative has a co-owner, the co-owning member of the cooperative is obliged to notify the cooperative prior to the conclusion of any saving's contract.

48<sup>2</sup>.5. Unless otherwise stipulated in the charter, the determining regulation of savings and loan interests shall be fixed by the Members' meeting of the cooperative.

48<sup>2</sup>.6. A member of the cooperative may open a cash deposit account in the name of his or her child. In this case, the contract shall be valid until the child becomes an adult.

### **Article 48<sup>3</sup>. Loan disbursement activities of the cooperative**

48<sup>3</sup>.1. The cooperative which carries out loan activities may disburse loan from the loan fund to its members in accordance with regulations specified in the charter.

48<sup>3</sup>.2. The cooperative which carries out loan disbursement activities shall set up a loan fund and a loan reserve fund.

The loan fund shall consist of capital contributed by the cooperative and savings deposits made by the members.

48<sup>3</sup>.3. The cooperative which carries out loan activities may accord loans to its members on the basis of a contract concluded in accordance with Articles 451-453 of the Civil Law.

48<sup>3</sup>.4. The repayment of the loans may be guaranteed by the member's contribution or deposited cash in the cooperative.

### **Article 48<sup>4</sup>. Loan Disbursement Committee, its powers and composition**

48<sup>4</sup>.1. The cooperative which carries out loan disbursement activities shall have a Loan Disbursement Committee. The Loan Disbursement Committee shall consist of no less than 3 members. The members of the Loan Disbursement Committee shall be elected by the Members' Meeting through secret ballot. A member of the Loan Disbursement Committee shall not be a member of the Management Board or the Auditing Board.

48<sup>4</sup>.2. The Loan Disbursement Committee shall exercise the following powers:

48<sup>4</sup>.2.1 To examine loan request applications of the members;

48<sup>4</sup>.2.2. To make decisions for loans, to provide loans;

48<sup>4</sup>.2.3. To assure repayment of the loan;

48<sup>4</sup>.2.4. If considered necessary, to convene the Members' Meeting;

48<sup>4</sup>.2.5. Other powers defined by law and charter of the cooperative;

48<sup>4</sup>.3. The Meeting of the Loan Disbursement Committee shall be considered valid if a majority of its members are present. The Charter may set up a quorum requiring more participation.

48<sup>4</sup>.4. Unless the Charter did not set up a higher quorum than in Article 48<sup>4</sup>.3 of the present law, decisions of the Loan Disbursement Committee shall be made by the consent of majority of the Committee members who voted.

48<sup>4</sup>.5. The Chairperson of the Loan Disbursement Committee shall be member of this Committee and shall be appointed by the Meeting of the Board of Management.

## **CHAPTER SEVEN**

### **Article 49. Liability for breaches of the legislation**

49.1 If a breach of the Cooperative Law does not constitute a criminal offence, administrative penalties shall be imposed on any offending person as follows:

49.1.1 For a breach of procedure for registration of amendments or alterations to the charter, the relevant official of the registration authority shall fine an officer of cooperative amount of between 2000 and 20000 togrogs;

49.1.2 For undertaking activities not stipulated in the charter, the judge shall confiscate the income and the cooperative shall be subject to a fine of between 100000 and 250000 togrogs.;

## **CHAPTER EIGHT**

### **Article 50. Law implementing rules**

50.1. All cooperatives registered before an enactment of the present law shall be re-registered within period of one year after this law come into force.

CHAIRMAN OF THE  
STATE IKH KHURAL

R. GONCHIGDORJ