

LAW OF MONGOLIA

November 20, 1997

Ulaanbaatar

BANKRUPTCY LAW

CHAPTER ONE

General Provisions

Article 1. Purpose of the Law

1.1 The purpose of this Law is to govern the relations arising in connection with starting and settling a bankruptcy case, recapitalization and liquidation of an insolvent business entity.

Article 2. Legislation on bankruptcy

2.1 The legislation on bankruptcy shall consist of the Civil Code, Civil Procedure Code, this Law and other legislative acts enacted in conformity with them.

2.2 Relations connected with starting and settling a bankruptcy case and not regulated by this Law shall be regulated by the Civil Procedure Code.

2.3 If an international treaty of Mongolia provides otherwise than this Law, then the provisions of the international treaty shall be observed.

Article 3. Definitions

3.1 In this Law the following terms shall have the following meaning:

3.1.1 “Claimant” shall mean a person who has the right to demand the respondent to fulfill his/her obligation.

3.1.2 “Respondent” shall mean a partnership, cooperative, company, state- or municipally-owned enterprise and non-governmental organization with the status of a legal entity that have become insolvent.

- 3.1.3 “Equity” shall mean the difference between the total loans and liabilities to be paid to others from the sum of fixed assets and current assets of the respondent.
- 3.1.4 “Trustee” shall mean a person appointed by the court, as proposed by the meeting of claimants, who executes the work of liquidation or recapitalization of the respondent and has the right to protect the assets of the respondent and exercise control over the recapitalizing activities.

Article 4. Insolvency

- 4.1 Insolvency shall be constituted by not fulfilling the obligations in the amount equal to no less than 10 percent of equity by the deadline specified by law or contract.

CHAPTER TWO

Starting a bankruptcy case

Article 5. Starting a bankruptcy case

- 5.1 The court shall start a bankruptcy case on the following grounds:
- 5.1.1 a party that the right to demand the fulfillment of obligations has submitted a claim to start a bankruptcy case;
- 5.1.2 the respondent has notified of his/her inability to meet the obligations and submitted a request to start a bankruptcy case.
- 5.2 If the judge considers that the claim or request satisfies the requirements specified in Article 7 of this Law, the court shall issue within 5 days since the receipt of such claim or request a ruling to start a bankruptcy case.
- 5.3 Within 5 days since the start of a bankruptcy case, the court shall give a copy of the claim to the respondent and shall determine within 30 days whether the respondent is insolvent or not.
- 5.4 If it is determined that the respondent is solvent, the bankruptcy case shall be dismissed and the matter of liabilities between the parties shall be resolved according to an appropriate law.
- 5.5 Within 7 days since determining that the respondent is insolvent, the court shall inform thereof the public through the means of mass media. This information shall specify the date and place for convening the first meeting of claimants, the term and procedures for

submitting claims as well as consequences that may arise out of the failure to submit a claim by the deadline specified by law.

5.6 While starting a bankruptcy case, the judge may, at his/her discretion or upon the request of the claimant, take actions specified in Article 69 of the Civil Procedure Code.

5.7 While starting a bankruptcy case, the court may appoint a temporary trustee. A temporary trustee shall enjoy the rights and responsibilities specified in 12.1.1, 12.1.2, 12.1.3, 12.1.4, 12.1.5 and 12.1.9 of this Law.

Article 6. Asserting claims regarding the court order

6.1 If a participating party has not agreed with a judge's ruling or a court resolution issued in connection with resolving a bankruptcy case, he/she shall have the right to lodge a complaint against such a ruling or a court resolution within 5 days since the issuance of such ruling and resolution.

6.2 If a participating party has not agreed with a court order issued in connection with resolving a bankruptcy case, he/she shall have the right to lodge a complaint within 10 days since its issuance. The court shall resolve this complaint within 30 days.

6.3 The period for resolving a bankruptcy case shall be suspended for the period of resolving of the complaint by the court and shall resume on the date of the issuance of the court order resolving the complaint.

Article 7. Requirements to a claim or request for starting a bankruptcy case

7.1 The respondent's request for starting a bankruptcy case shall include grounds for considering as insolvent, proposals for recapitalization or liquidation considering as insolvent as well as provisions specified in Article 60 of the Civil Procedure Code. The following shall be attached to the request:

7.1.1 financial statements of the last three years;

7.1.2 list of assets that are owned or owned through power of attorney and a proposal on their valuation;

7.1.3 names and addresses of the claimants, receivables or amounts to be received by each claimant;

7.1.4 name, address of the person who owes the respondent as well as the amount of debt;

- 7.1.5 names and addresses of partners in case of a cooperative or of fully liable partners in case of a partnership.
- 7.2 The claim for starting a bankruptcy case shall contain grounds for considering this person as insolvent or having become insolvent, obligations of this person, the amount of payment due and term for fulfilling the obligations, proposals for recapitalizing the respondent or liquidating considering as insolvent. Appropriate evidence shall be attached to the claim.
- 7.3 If required, the court may demand from the person filing a claim or request additional documents evidencing that respondent has become insolvent.

Article 8. Meeting of claimants

- 8.1 The court shall organize the first meeting of claimants within 30 days since the public announcement about considering the respondent as insolvent.
- 8.2 The meeting of claimants shall propose the court to approve the person who satisfies the requirements specified in 11.2 of this Law as a trustee.
- 8.3 The meeting of claimants shall discuss and resolve the following:
 - 8.3.1 approve a recapitalization plan by each group specified in 27.3 of this Law separately;
 - 8.3.2 monitor the fulfillment of the recapitalization plan and discuss the respondent's financial statements;
 - 8.3.3 submit to the court a proposal to appoint a trustee, establish his/her compensation, amount of operating expenses, term and procedures for payment;
 - 8.3.4 if the respondent's right to dispose of its assets is to be transferred by the court to the trustee, establish conditions and limits for the trustee to implement this right;
 - 8.3.5 review the trustee's submissions and conclusions, discuss his/her report;
 - 8.3.6 submit to the court a proposal to change the trustee;
 - 8.3.7 submit to the court a claim regarding the trustee's activities;
 - 8.3.8 appeal to the court on issues related to the respondent's activities;
 - 8.3.9 decide whether to implement the court order on liquidating the respondent without involvement of the court.

8.4 The trustee shall summon a meeting of claimants at the demand of claimants who have claimed no less than 10 percent of the total amount of the claim.

Article 9. Procedure for making decisions at the meeting of claimants

9.1 Each claimant shall participate in the meeting of claimants with the voting right equal to the share of his/her claim in the total amount of the total claim.

9.2 The decision of the meeting shall become effective upon approval by more than 66.7 percent of the votes of claimants participating in the meeting.

Article 10. Council of claimants

10.1 In the event of more than 7 claimants, the meeting of claimants may set up a council of claimants, which shall consist of an odd number of claimants that is no less than 3.

10.2 The composition of the claimants' council shall be approved by more than 66.7 percent of the votes of claimants participating in the meeting.

10.3 The meeting of claimants shall approve the council's rights and responsibilities.

Article 11. Appointing a trustee

11.1 As specified in 8.2 of this Law, the court shall decide within 5 days whether to appoint the person proposed by the first meeting of claimants as a trustee.

11.2 The trustee shall be an individual with higher education in law, finance and economics who does not have financial and economic personal interests in the respondent's activities, or a legal entity, which has the rights and responsibilities to provide professional consulting services in the field of law, finance and economics.

11.3 The following persons and their family members shall be disqualified from being appointed as a trustee:

11.3.1 respondent's and claimant's management and management members;

11.3.2 members of respondents that are legal entities other than joint stock companies;

11.3.3 individual claimants.

Article 12. Rights and responsibilities of the trustee

12.1 The trustee shall have the following rights and responsibilities:

- 12.1.1 take under custody the assets of the respondent according to the court order;
- 12.1.2 safeguard the respondent's assets and relevant documents, conduct counting;
- 12.1.3 if required, conduct a documentary audit of the respondent's activities, organize such work;
- 12.1.4 announce and convene a meeting of claimants;
- 12.1.5 approach the court on the issues to be resolved by court;
- 12.1.6 review contracts and transactions conducted prior to the start of a bankruptcy case, submit to the meeting of claimants proposals on whether to terminate, amend, or consider invalid the contracts and transactions specified in Articles 19 and 20 of this Law and articles 43 and 44 of the Civil Code;
- 12.1.7 open a special account and deposit the respondent's cash;
- 12.1.8 conduct contracts and transactions with others on behalf of the respondent within the scope of the rights granted by the claimants' meeting;
- 12.1.9 obtain from the respondent relevant data and documents;
- 12.1.10 submit to appropriate parties his/her assessment of the respondent;
- 12.1.11 evaluate the respondent's assets;
- 12.1.12 hire an assistant within the limits of compensation determined by the claimants;
- 12.1.13 sell the respondent's assets according to the procedures set forth in the Civil Code and Article 18 of this Law;
- 12.1.14 other rights and responsibilities set forth in law.

12.2 The trustee will be personally liable for the damages caused the respondent due to illegal activities such as fraud and negligence.

12.3 The parties to the bankruptcy case have the right to assert a complaint to the court regarding the activities of the trustee and the court may change the trustee.

Article 13. Trustee's assessment of the respondent

13.1 The trustee shall make an assessment of the respondent's activities within 20 days since his/her approval by the court and submit it to the court, respondents and claimants. The assessment shall contain the following:

- 13.1.1 financial and economic calculations of the respondent, conclusions;
- 13.1.2 reasons and specific features of the respondent's insolvency;

- 13.1.3 assessment of the management's activities;
 - 13.1.4 claimants' groups and amount of each claim;
 - 13.1.5 proposals on whether to recapitalize the respondent, or to liquidate upon consideration as insolvent;
 - 13.1.6 other data and documents deemed necessary.
- 13.2 The court may appoint an expert upon the request of the trustee in the process of making an assessment.
- 13.3 The trustee shall ensure that the persons responsible for developing a recapitalization plan have the opportunity to review the assessment.

Article 14. Transferring the respondent's rights to manage the business and dispose of its assets

- 14.1 The respondent's right to dispose of its assets and manage business activities shall be transferred by the court order to the trustee if the respondent has not submitted to the court a request for recapitalization and the recapitalization plan by the deadline specified by law, or this plan has not been approved by the court, or in the event of issuing a court order to liquidate the respondent.

Article 15. Deadline for submitting a claim by the claimant

- 15.1 A third party shall submit to the court his/her claim against the respondent within 21 days since the date of public announcement about the respondent's insolvency.

Article 16. Submitting a request by the Cabinet and the Citizens' Representatives Hural

- 16.1 The Cabinet and the Citizens' Representatives Hural may submit to the court before the first meeting of claimants a guarantee that the debts and liabilities of a bankrupt state- or municipally-owned enterprise shall be paid off.
- 16.2 The court may suspend the case for 3 months if the meeting of claimants recognizes the guarantee of the Cabinet and the Citizens' Representatives Hural.

Article 17. Assets to be distributed

17.1 The respondent's assets to be distributed shall comprise items owned by the respondent at the time of starting the bankruptcy case, or newly acquired during the period until the respondent's liquidation and removal from the state register as well as revenues and profits generated by such items.

17.2 Persons who have debts to the respondent shall pay them off according to the contract or transaction.

Article 18. Selling the respondent's assets

18.1 The method for attaining the highest price shall be applied during the sale of the respondent's assets.

18.2 Market value, quality, demand, depreciation and the respondent's opinion shall be taken into account while valuing the respondent's assets.

18.3 A valuation expert may be appointed in the event the respondent disagrees with the valuation done by the trustee, or if there have been difficulties in valuing the given assets. The price determined by the valuation expert shall be final.

18.4 Procedures specified in Article 162 of the Civil Code and paragraphs 2, 3 and 4 in Article 29 of the Court Decision Enforcement Law shall be used in selling the assets through an auction.

18.5 At the decision of the claimants' meeting, an appropriate portion of the revenue earned from the sale of assets shall be paid to the trustee.

Article 19. Void transactions made by the respondent

19.1 The following contracts and transactions made by the respondent shall be void:

19.1.1 contracts and transactions made within 2 years prior to starting a bankruptcy case on transferring assets into ownership of members of the respondent's governing body as well as their family members without payment;

19.1.2 contracts and transactions made within 1 year prior to starting a bankruptcy case on transferring assets into ownership of persons other than those specified in 19.1.1 of this Law without payment;

19.1.3 contracts and transactions made within 1 year prior to starting a bankruptcy case on providing services or selling assets to others on conditions that are obviously advantageous;

- 19.1.4 contracts and transactions made within 120 days prior to starting a bankruptcy case for the purpose of granting preferred rights to certain claimants;
- 19.1.5 contracts and transactions made in violation of this Law since the start of a bankruptcy case.

Article 20. Amending or terminating the respondent's contracts

20.1 In order to increase the amount of the respondent's assets to be distributed, the court has the right to amend or terminate, as proposed by the meeting of claimants (or council), the respondent's contracts that have not been fulfilled, or those contracts the majority part of which has not been fulfilled.

Article 21. Suspending the activities of claimants

21.1 The following activities shall be suspended by starting a bankruptcy case in order to ensure equal rights of claimants:

- 21.1.1 providing services or making payments out of the respondent's assets to be distributed;
- 21.1.2 giving items belonging to the respondent's assets to be distributed into ownership of others;
- 21.1.3 taking assets or making payments out of the respondent's assets to be distributed according to the court order that has been issued previously;
- 21.1.4 submitting the respondent's assets to be distributed as collateral, increasing the amount submitted as collateral, selling the items submitted as collateral, or disposing of by other methods;
- 21.1.5 transferring to others the obligations owed to the respondent, offsetting the obligations with the respondent.

Article 22. Prohibiting termination of contracts and transactions

22.1 It shall be prohibited to amend or terminate the contracts and transactions for providing services related to ensuring normal conditions for the respondent to conduct activities within the scope specified by this Law on the grounds that the respondent has become insolvent.

22.2 Payments related to contracts and transactions specified in 22.1 of this Law shall be collected and deposited each month into a special account with permission of the court.

CHAPTER THREE

Recapitalizing the respondent

Article 23. Request for recapitalizing the respondent

23.1 If it is considered that recapitalization of the respondent and continuing its operations will better meet the requirements of the claim as compared to liquidation, the following persons may submit to the court a request for recapitalizing the respondent within 60 days since the date on which the respondent was declared bankrupt.

23.1.1 Respondent;

23.1.2 Claimants who claim one third or more of the total payment claimed from the respondent;

23.1.3 Trustee.

23.2 The request for recapitalization shall contain financial, management and other documents evidencing the possibilities for continuing the respondent's operations, computations related to such possibilities and perspectives for the reorganized business entity.

Article 24. Recapitalization plan

24.1 Persons specified in 23.1 of this Law may submit a recapitalization plan (hereinafter referred to as the "Plan") to the court within 30 days since the date of reviewing the trustee's conclusion.

24.2 The Plan shall contain a detailed description of the following activities:

24.2.1 Whether amendments will be introduced to the founding documents, description of amendments if they are introduced;

24.2.2 Whether changes will be made to the respondent's management, names and addresses of people who will work in management;

24.2.3 Whether securities will be issued instead of the claim's requirements;

24.2.4 Whether the payment term for the securities issued by the respondent will be extended and whether changes will be made to their interest rates, description of changes if they are made;

- 24.2.5 New contracts and transactions;
- 24.2.6 If the respondent's assets are sold, amount of assets to be sold;
- 24.2.7 Assets to be transferred to others;
- 24.2.8 Assets that will remain in respondent's ownership;
- 24.2.9 Claimants' groups specified in 35.4 of this Law;
- 24.2.10 Method, form, amount and term for satisfying each claim in the order of priority specified in 35.4 of this Law;
- 24.2.11 Estimate comparison of the amounts of payment that will be distributed to claimants if the respondent is liquidated after being considered bankrupt versus the amounts that will be paid to claimants if the respondent is recapitalized;
- 24.2.12 If employment contracts with employees are terminated or amended, measures to provide benefits, vocational training, or provide specialization to employees according to appropriate legislative acts;
- 24.2.13 Deadline for implementing and evaluating the Plan;
- 24.2.14 Compensation and fees to be paid to the trustee and other appropriate persons, procedures for payment;
- 24.2.15 Other activities that will be conducted according to this Law to restore the respondent's solvency.

Article 25. Term for implementing the Plan

25.1 The recapitalization process should be completed within 2 years.

Article 26. Preparing the Plan for discussion

26.1 The court shall set in advance the agenda of the meeting that will discuss the Plan. The meeting for discussing the Plan shall be convened within 20 days since the expiry of the period specified in 24.1 of this Law.

26.2 The trustee shall organize preparatory work for the meeting.

26.3 The trustee shall publish through the means of mass media a public announcement for discussing the Plan. The announcement shall indicate the date for conducting the meeting of claimants, information on how to review the Plan and any other required information.

Article 27. Discussing the Plan at the meeting of claimants and collecting the votes

- 27.1 The trustee shall organize the meeting of claimants that will discuss the Plan.
- 27.2 The person who proposed the Plan shall participate in the meeting of claimants.
- 27.3 Only those claimants whose claims have been accepted by the court shall have the right to participate in the voting to approve the Plan. The voting shall be conducted by each of the following groups:
- 27.3.1 Preferred claimants who have 10 percent and more in the total amount claimed;
 - 27.3.2 Other preferred claimants;
 - 27.3.3 Employees who have labor contracts with the respondent;
 - 27.3.4 Other.
- 27.4 The Plan shall be deemed as approved by a particular group if it receives the majority of the votes of claimants who belong to this group.
- 27.5 In the event two and more plans have been proposed, the meeting of claimants shall discuss and collect votes for all.

Article 28. Approving the Plan

- 28.1 The court shall decide whether to approve the Plan within 20 days since its discussion at the meeting of claimants.
- 28.2 The court shall approve the Plan if one of the following grounds exists:
- 28.2.1 The Plan was supported by at least 2 groups of claimants;
 - 28.2.2 The recapitalized respondent will better satisfy the claim that being liquidated.
- 28.3 If several plans were supported and approved at the meeting of claimants, the court shall approve the one proposed by the respondent.
- 28.4 If the court considers that the plan proposed by the respondent does not comply with the grounds specified in 28.2 of this Law, it shall approve the plan supported by the group of claimants who are in most disadvantageous conditions. A claimant shall be considered as being in disadvantageous conditions if the assets that will be distributed under the Plan are not sufficient for full settlement of his/her claim.
- 28.5 The court shall issue an order to consider the respondent bankrupt and liquidate if it does not approve the Plan.

Article 29. Implementing the Plan

29.1 The Plan shall be implemented by the respondent under the trustee's supervision and according to the court order, or the trustee shall organize and ensure the Plan's implementation.

29.2 If the respondent has submitted a request for starting a bankruptcy case and the plan proposed by the respondent has been approved, the court may assign to the respondent the responsibility for ensuring the Plan's implementation. In this case, the respondent shall have the right to dispose of its assets within the limits and on the conditions determined by the trustee.

29.3 If the trustee, respondent, or the meeting of claimants (or council) consider that the trustee and respondent will not be able to implement the Plan, they may submit to the court a request to change them.

29.4 The trustee shall have the following rights and responsibilities in addition to those specified in 12.1 of this Law while overseeing the Plan's implementation:

29.4.1 Conduct an audit of the respondent's financial condition, income and expenditure statements once a month, or each time when deemed necessary;

29.4.2 Announce and convene the meeting of claimants if it has been considered in the process of implementing the Plan that additions and amendments shall be introduced to the Plan, or that the respondent has become unable to implement the Plan;

29.5 The respondent, trustee or the meeting of claimants (or council) have the right to submit to the court a request for considering the respondent bankrupt and liquidating if the respondent is considered unable to implement the Plan.

29.6 The court shall issue an order to consider the respondent bankrupt and liquidate if it considers that the request specified in 29.5 of this Law is justified.

Article 30. Extending the term for implementation of the Plan

30.1 The trustee or the meeting of claimants (or council) may submit to the court a request for extending the period for implementation of the Plan.

- 30.2 The court may extend the period specified in Article 25 of this Law for up to 6 months if it considers that the respondent has improved his/her solvency and become able to satisfy the claimants' claim.
- 30.3 While extending the period for implementing the Plan, the court may include in the Plan certain new limitations and conditions.
- 30.4 If the respondent experiences a loss during the period of extension granted by the court, the claimants have the right to submit to the court a request to annul the court order to extend the period for implementation of the Plan.

Article 31. Reporting the implementation of the Plan

- 31.1 The respondent implementing the Plan shall submit to the trustee income, expenditure and other financial statements and data each month. Each quarter, the trustee shall report on the respondent's financial statements and data to the meeting of claimants (or council).

Article 32. Terminating the recapitalization activities

- 32.1 The court shall terminate the recapitalization activities on the following grounds:
- 32.1.1 Implementation of the Plan has become impossible;
 - 32.1.2 The Plan has been implemented completely;
 - 32.1.3 The claimants' claims have been satisfied completely even though the Plan's implementation is not completed.
- 32.2 In the event specified in 32.1.1 of this Law, the court shall issue an order to consider the respondent bankrupt and liquidate.
- 32.3 In the events specified in 32.1.2 and 32.1.3 of this Law, the court shall dismiss the bankruptcy case.
- 32.4 After dismissing the case on the grounds specified in 32.1.2 and 32.1.3 of this Law, the respondent's obligations before the claimants shall end and the respondent shall resume its operations.

CHAPTER FOUR

Liquidating the respondent

Article 33. Liquidating the respondent

33.1 The court shall issue a decision to liquidate the respondent considering him/her as bankrupt on the following grounds:

33.1.1 the person specified in 23.1 of this Law has not submitted to the court a request to recapitalize;

33.1.2 the court has not approved the plan, or the plan has not been submitted to the court;

33.1.3 Implementation of the plan has become impossible.

33.2 Within 5 days since the date on which the order to consider the respondent insolvent and liquidate was issued, the court shall make a public announcement thereof through the means of mass media.

Article 34. Taking under custody and counting the respondent's assets

34.1 Within 5 days since the issuance of the court order to take under custody the respondent's assets, the trustee shall take under custody the respondent's assets and conduct the counting within 30 days.

34.2 The trustee shall take under custody the respondent's assets other than the following:

34.2.1 assets to be sold promptly in order to avoid deterioration in their quality and value;

34.2.2 accounting reports;

34.2.3 securities.

34.3 The respondent or its representative shall be present at the counting of assets. If the respondent or its representative have deliberately avoided presence at the counting of assets, a counting commission appointed by the court shall conduct the counting of the assets.

34.4 The document on counting shall be signed by the trustee, respondent and its representative, or commission members if a counting commission was appointed.

34.5 The respondent shall be reminded in advance that all his/her assets have been included in the counting document and a deed thereof shall be signed.

Article 35. Distributing cash

35.1 The trustee shall distribute the respondent's cash according to the plan.

- 35.2 The trustee shall submit to the court a cash distribution plan within 2 months since the issuance of the order to liquidate and shall provide a copy of the plan to all claimants.
- 35.3 If the claimants disagree with this plan, they shall have the right to appeal to the court within 7 days since its receipt and the court shall settle the appeal within 20 days.
- 35.4 Considering real possibilities for selling the assets to be distributed, the court may extend at the trustee's request the period specified in 35.2 of this Law.
- 35.5 Claims shall be settled by cash in the following order:
- 35.5.1 Payments for eliminating damages caused to others' health and life;
 - 35.5.2 Trustee's salary and expenses for activities conducted with permission of the meeting of claimants that are within the trustee's rights and responsibilities;
 - 35.5.3 Claims under contracts and transactions that have been concluded in the process of recapitalizing the respondent;
 - 35.5.4 Preferred claims;
 - 35.5.5 Common claims;
 - 35.5.6 Salaries and wages of employees who have labor contracts with the respondent;
 - 35.5.7 Court's expenses;
 - 35.5.8 Other.
- 35.6 If the proceeds from the sale of all of the respondent's assets are not sufficient for full settlement of the claims, the claim of the next group shall be settled after settling in full the claim of the given group. If several claims having the same priority can not be settled simultaneously, they shall be settled in proportion to the amounts claimed.
- 35.7 If the proceeds from the sale of assets submitted as collateral are not sufficient for settling the claims of preferred claimants, unsatisfied claims shall be transferred to the list of common claims.
- 35.8 If the court justifies the claim that was submitted after expiration of the period specified in Article 15 of this Law and restores the claim period, this claim shall be settled in the order of priority specified in 35.4 of this Law.
- 35.9 The assets remaining after full settlement of the claims shall be distributed by the respondent to investors /contributories/ according to appropriate rules and regulations.

Article 36. Terminating the liquidation activities

- 36.1 The trustee shall submit to the court his/her report on distribution of cash within 20 days since the submission of the cash distribution plan to the court if the plan does not contain a claim, or within 40 days if the plan contains such claim.
- 36.2 The court shall review the trustee's report and shall terminate the liquidation activities in the following circumstances:
- 36.2.1 The claimants' claim was settled in full, or in the amount of assets in the respondent's ownership, and no assets remain to be distributed;
- 36.2.2 all of the assets are not sold, however, the proceeds from the sold portion have satisfied the claim in full.
- 36.3 Immediately after the termination of the liquidation activities, the trustee shall inform thereof the registering organization and remove the respondent from the state register.

Article 37. Consequences of liquidation

- 37.1 Upon termination of the liquidation activities, the respondent shall be freed from the obligation on unsettled claims and his/her obligations before the claimants shall end.
- 37.2 37.1 of this Law shall not apply to the respondent who intentionally became bankrupt.

Article 38. Fulfilling the court order to liquidate the respondent

- 38.1 The meeting of claimants shall decide whether to conduct the activities on fulfilling the court order to liquidate the respondent without supervision and involvement of the court. Such order shall be issued upon approval by the votes of claimants who own at least 2/3 of total claims.
- 38.2 In the event of issuing the order specified in 38.1 of this Law, the trustee shall implement the rights and responsibilities other than those specified in 12.1.1 of this Law.
- 38.3 The respondent and the claimant shall be required to fulfill the trustee's decision.

CHAPTER FIVE

Miscellaneous

Article 39. Liability to be imposed on violators of law

39.1 If the violation of the Bankruptcy Law does not constitute criminal liability, the court shall impose the following administrative penalties:

- 39.1.1 The respondent, claimant and other related parties shall be fined for 20,000-50,000 MNT if they refuse without grounds to fulfill the trustee's requirements;
- 39.1.2 The person who has hidden the business entity's assets and documents, or provided assistance in hiding, knowing that the court has started or is going to start a bankruptcy case, shall be fined for 30,000-50,000 MNT;
- 39.1.3 If the trustee exceeds the competence that was granted to him/her, or uses it for private purposes, or discloses confidential information of others by violating appropriate laws and regulations, he/she shall be fined for 40,000-60,000 MNT;
- 39.1.4 If the trustee falsely produces the guarantees specified in 34.5 of this Law, he/she shall be fined for 30,000-50,000 MNT.

CHAIRMAN OF THE STATE IKH HURAL

R. Gonchigdorj