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Corporate governance code has been updated

In order to develop corporate governance practice in Mongolia, the Financial Regulatory Commission /the “FRC”/ approved the Corporate Governance Code (hereinafter “the Code”) in 2007 for the first time and revised it later in 2014. Under these Codes, public or joint-stock companies whose shares are freely traded on the Stock Exchange had been undertaken to follow this Code mandatorily, while limited liability companies and other legal entities were recommended to use the Code as optional.

On March 23, 2022, the FRC has re-approved the Code, mandating **insurers, companies which provide non-banking financial trust services and investment managements** to comply with the Code in addition to public companies.

This legal alert will provide brief summary of amended regulations in the Code dated 2022.

Structure

The revised Code is structurally composed of two main parts: an introduction and nine corporate governance principles that will be explained in detail.

Implementation of the Code and its reporting

Depending on the nature, structure, size and stage of development of the company, it is not mandatory to fully implement certain provisions of the Code that are not possible to implement specifically. However, if it has not been implemented, what structural measures have been undertaken to replace it, and if the target has been set, the implementation period should be explained in detail according to the approved form.

The frequency of reporting on the implementation of governance principles shall be at least once a year and shall be introduced in the company's annual activity report (in a separate chapter) and published on the company's website.

Corporate governance principles

1) Nine basic principles of Corporate Governance are defined and explained in detail in the new Code.

The structure and organization of the Board of Directors

The content of this principle includes the concept of “the Board of Directors /the “BoD”/ shall be a visionary, creative and effective structure with appropriate multi-faceted skills, knowledge, experience and independence” and companies will take the following measures within the framework of this principle, including:

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For more information and questions, please contact the GRATA international law firm’s Partner V.Bolormaa through her mail address bvolodya@gratanet.com or phone number +976 70155031.

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Practice areas

[CORPORATE AND M&A](#)

Locations

MONGOLIA


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