

LAW OF MONGOLIA

November 20, 1997

Ulaanbaatar

BANKRUPTCY LAW

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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, rehabilitation 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 [creditor]" shall mean a person who has the right to demand the debtor to fulfill its obligation.

3.1.2 "Respondent [debtor]" 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 sum of fixed assets and current [working] assets of the debtor and the total loans and liabilities of debtor.

3.1.4 "Trustee" shall mean a person appointed by the court, as proposed by the meeting of creditors, who executes the work of liquidation or rehabilitation of the debtor and has the right to protect the assets of the debtor and exercise control over the rehabilitating activities.

Article 4. Insolvency

4.1 A debtor shall be considered insolvent when it is unable to fulfill its obligations in the amount equal or higher 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 has the right to demand the fulfillment of obligations has submitted a claim to start a bankruptcy case;

5.1.2 the debtor has declared of its 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 of the receipt of such claim or request a ruling to start a bankruptcy case.

5.3 Within 5 days of the start of a bankruptcy case, the court shall give a copy of the claim to the debtor and shall determine within 30 days whether the debtor is insolvent or not.

5.4 If it is determined that the debtor is solvent, the bankruptcy case shall be dismissed and the matter of debt between the parties shall be resolved according to an appropriate law.

5.5 Within 7 days of determining the debtors insolvency, 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 creditors, the term and procedures for submitting claims as well as consequences that may arise out of the failure to submit such claims 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 a complaint against a 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 of 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 of 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 the complaint by the court and shall resume on the date of the issuance of the court order resolving the complaint.

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

- 7.1 The debtor's request for starting a bankruptcy case shall describe grounds for considering the debtor as insolvent, proposals for rehabilitation or liquidation as well as provisions specified in Article 62 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 [by the debtor] and their proposed valuation;
 - 7.1.3 names and addresses of the creditors, receivables or amounts to be received by each claimant;
 - 7.1.4 name and address of the person who owes the debtor as well as the amount of such 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 describe 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 rehabilitating the debtor or liquidating 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 debtor has become insolvent.

Article 8. Meeting of creditors

- 8.1 The court shall organize the first meeting of creditors within 30 days of the public announcement of the debtor's insolvency.
- 8.2 The meeting of creditors 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 creditors shall discuss and resolve the following:
 - 8.3.1 approve a rehabilitation plan by each group [class] specified in 27.3 of this Law separately;
 - 8.3.2 monitor the progress of the rehabilitation process and discuss the debtor's financial statements;
 - 8.3.3 submit to the court a proposal to appoint a trustee, establish its remuneration, amount of operating expenses, term and procedures for payment;
 - 8.3.4 if the debtor'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 its report;
 - 8.3.6 submit to the court a proposal to replace the trustee;
 - 8.3.7 submit to the court a complaint against trustee's activities;
 - 8.3.8 appeal to the court regarding the debtor's activities;
 - 8.3.9 decide whether to implement the court order on liquidating the debtor without involvement of the court.
- 8.4 The trustee shall summon a meeting of creditors at a demand of creditors who account for no less than 10 percent of the total amount of the claim.

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

- 9.1 Each claimant shall participate in the meeting of creditors with the voting right equal to the share of its 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 creditors present in the meeting.

Article 10. Board of creditors

- 10.1 If there exist more than 7 creditors, the meeting of creditors may set up a board of creditors, which shall consist of an odd number of creditors, but no less than 3.
- 10.2 The composition of the creditors' board shall be approved by more than 66.7 percent of the votes of creditors present at the meeting.
- 10.3 The meeting of creditors shall approve the board'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 creditors as a trustee.

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

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

11.3.1 debtor's and claimant's management member or shareholder;

11.3.2 shareholder of a debtor legal entity, other than a joint stock [publicly held] company;

11.3.3 individual creditors.

Article 12. Rights and responsibilities of the trustee

12.1 The trustee shall have the following rights and responsibilities:

12.1.1 place under seal the assets of the debtor in accordance with the court order;

12.1.2 safeguard and inventory the debtor's assets and relevant documents;

12.1.3 if required, instruct an audit of the debtor's activities;

12.1.4 convene a meeting of creditors;

12.1.5 approach the court on issues that fall within court's jurisdiction;

12.1.6 examine contracts and transactions concluded [by the debtor] prior to the start of a bankruptcy case and submit to the meeting of creditors proposal on whether to terminate, amend, or consider as invalid the contracts and transactions specified in Articles 19 and 20 of this Law and articles 56-61 of the Civil Code;

12.1.7 open a special account to deposit and administer the debtor's funds;

12.1.8 conclude contracts and transactions with others on behalf of the debtor within the scope of the rights granted to him/her by the creditors' meeting;

12.1.9 obtain from the debtor relevant data and documents;

12.1.10 submit to appropriate parties his/her assessment of the debtor;

12.1.11 appraising the debtor's assets;

12.1.12 hire an assistant within the limits of remuneration determined by the creditors;

12.1.13 sell the debtor'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 shall be personally liable for the damages caused to the debtor due to illegal activities such as fraud or negligence.

12.3 The parties to the bankruptcy case shall have the right to file a complaint with court against the activities of the trustee and the court may replace the trustee.

Article 13. Trustee's evaluation of the debtor

13.1 The trustee shall evaluate the debtor's activities within 20 days of its approval by the court and submit it to the court, debtors and creditors. The evaluation shall contain the following:

13.1.1 calculations of and conclusions on the debtor's financial and economic activities;

13.1.2 causes and circumstances of the debtor's insolvency;

13.1.3 assessment of the management's performance;

13.1.4 creditors' groups [classes] and amount of claims of each creditor;

13.1.5 recommendation for whether to rehabilitate the debtor, 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 evaluation.

13.3 The trustee shall ensure that the persons responsible for developing a rehabilitation plan have the opportunity to review the evaluation.

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

14.1 The debtor's right to dispose of its assets and manage business activities shall be transferred by the court order to the trustee if the debtor has not submitted to the court a request for rehabilitation and the rehabilitation 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 debtor.

Article 15. Deadline for submitting a claim by a creditor

15.1 A third party shall submit to the court its claim against the debtor within 21 days of the date of public announcement declaring the debtor's insolvency.

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

16.1 The Cabinet or the Citizens' Representatives Hural may submit to the court before the first meeting of creditors 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 proceeding for 3 months if the meeting of creditors has agreed to the guarantee of the Cabinet or the Citizens' Representatives Hural.

Article 17. Assets to be distributed

17.1 The debtor's assets to be distributed shall comprise items owned by the debtor at the time of starting the bankruptcy case, or newly acquired during the period until the debtor'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 debtor shall pay them off according to the contract or transaction.

Article 18. Selling the debtor's assets

18.1 The highest price shall be sought during the sale of the debtor's assets.

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

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

18.4 Procedures specified in Article 197 of the Civil Code and paragraphs 5, 10 and 11 in Article 39 of the Court Decision Enforcement Law shall be used in selling the assets through an auction.

18.5 Upon the decision of the creditors' 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 debtor

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

19.1.1 contracts and transactions made within 2 years prior to starting a bankruptcy case transferring assets to members of the debtor's managing body, as well as their family members, without return payment;

19.1.2 contracts and transactions made within 1 year prior to starting a bankruptcy case on transferring assets to persons other than those specified in 19.1.1 of this Law without return 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 for less than equivalent value;
- 19.1.4 contracts and transactions made within 120 days prior to starting a bankruptcy case designed to grant a preference for certain creditors [over other creditors];
- 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 debtor's contracts

20.1 In order to increase the amount of the debtor's assets to be distributed, the court has the right to amend or terminate, as proposed by the meeting of creditors (or board), the debtor'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 creditors

21.1 The following activities shall be suspended upon the start of a bankruptcy case in order to ensure equal rights of creditors:

- 21.1.1 providing services or making payments out of the debtor's assets to be distributed;
- 21.1.2 giving the ownership title of items belonging to the debtor's assets to be distributed to others;
- 21.1.3 taking assets or making payments out of the debtor's assets to be distributed according to the court order issued previously;
- 21.1.4 submitting the debtor'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 debtor, offsetting the obligations with the debtor.

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 operation of the debtor to conduct activities within the scope specified by this Law on the grounds that the debtor 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

Rehabilitating the debtor

Article 23. Request for rehabilitating the debtor

23.1 If it is considered that rehabilitation of the debtor and continuing its operations shall better meet the requirements of the claims [of creditors] as compared to liquidation, the following persons may submit to the court a request for rehabilitating the debtor within 60 days of the date on which the debtor was declared bankrupt.

23.1.1 Debtor;

23.1.2 Creditors who claim one third or more of the total payment claimed against the debtor;

23.1.3 Trustee.

23.2 The request for rehabilitation shall contain financial, management and other documents and estimates evidencing the possibilities for continuing the debtor's operations, and perspectives for the reorganized business entity.

Article 24. Rehabilitation plan

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

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

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

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

24.2.3 Whether securities shall be issued for the claims;

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

24.2.5 New contracts and transactions to be concluded;

24.2.6 If the debtor's assets are to be sold, amount of the assets to be sold;

24.2.7 Assets to be transferred to others;

24.2.8 Assets that shall remain in debtor's ownership;

- 24.2.9 Creditors' 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 shall be distributed to creditors if the debtor is liquidated [after being considered bankrupt] versus the amounts that shall be paid to creditors if the debtor is rehabilitated;
- 24.2.12 If employment contracts with employees are to be terminated or amended, measures to provide benefits, vocational training, or provide specialization to employees according to appropriate legislative acts;
- 24.2.13 Duration and progress evaluation date of the Plan;
- 24.2.14 Remuneration and fees to be paid to the trustee and other appropriate persons, procedures for payment;
- 24.2.15 Other activities that shall be conducted according to this Law to restore the debtor's solvency.

Article 25. Term for implementing the Plan

25.1 The rehabilitation process shall be completed within 2 years.

Article 26. Preparing the Plan for discussion

26.1 The court shall set in advance the date and agenda of the [creditors'] meeting that shall discuss the Plan. The meeting for discussing the Plan shall be convened within 20 days of 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 of the meeting of creditors, information on how to access the Plan and any other required information.

Article 27. Discussing and voting on the Plan at the meeting of creditors

27.1 The trustee shall organize the meeting of creditors that shall discuss the Plan.

27.2 The person who has proposed the Plan shall participate in the meeting of creditors.

27.3 Only those creditors 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 [classes]:

- 27.3.1 Preferred [secured] creditors whose claims equal or exceed 10 percent of the total amount claimed;
- 27.3.2 Other preferred [secured] creditors;
- 27.3.3 Employees who have labor contracts with the debtor;

27.3.4 Other [creditors].

27.4 The Plan shall be deemed as approved by a particular group if it receives the majority of the votes of creditors who belong to this group.

27.5 In the event two and more plans have been proposed, the meeting of creditors shall discuss and vote on all the plans.

Article 28. Approving the Plan

28.1 The court shall decide whether to approve the Plan within 20 days of its discussion at the meeting of creditors.

28.2 The court shall approve the Plan if one of the following grounds exists:

28.2.1 The Plan has been supported by at least 2 groups of creditors;

28.2.2 The rehabilitated debtor shall better satisfy the claim than being liquidated.

28.3 If several plans have been supported and approved at the meeting of creditors, the court shall approve the one proposed by the debtor.

28.4 If the court considers that the plan proposed by the debtor does not comply with the grounds specified in 28.2 of this Law, it shall approve the plan supported by the group of creditors who are in most disadvantageous conditions. A claimant shall be considered as being in disadvantageous conditions if the assets that shall be distributed under the Plan are not sufficient for full settlement of its claim.

28.5 The court shall issue an order to declare the debtor bankrupt and liquidate the debtor if it does not approve the Plan.

Article 29. Implementing the Plan

29.1 The Plan shall be implemented by the debtor 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 debtor has submitted a request for starting a bankruptcy case and the plan proposed by the debtor has been approved, the court may assign to the debtor the responsibility for ensuring the Plan's implementation. In this case, the debtor 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, debtor, or the meeting of creditors (or board) consider that the trustee or debtor shall not be able to implement the Plan, they may submit to the court a request to replace him/her.

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 debtor's financial condition, income and expenditure statements once a month, or each time when deemed necessary;
- 29.4.2 Convene the meeting of creditors 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 debtor has become unable to implement the Plan;
- 29.5 The debtor, trustee or the meeting of creditors (or board) shall have the right to submit to the court a request for considering the debtor bankrupt and liquidating it if the debtor is considered unable to implement the Plan.
- 29.6 The court shall issue an order to consider the debtor bankrupt and liquidate the debtor if it considers that the request specified in 29.5 of this Law justified.

Article 30. Extending the duration of the Plan

- 30.1 The trustee or the meeting of creditors (or board) may submit to the court a request for extending the duration 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 debtor has improved its solvency and become able to satisfy the creditors' claim.
- 30.3 While extending the duration of the Plan, the court may include in the Plan certain new limitations and conditions.
- 30.4 If the debtor experiences a loss after the extension of duration by the court, the creditors shall 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 progress of the Plan

- 31.1 The debtor 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 debtor's financial statements and data to the meeting of creditors (or board).

Article 32. Terminating the rehabilitation

- 32.1 The court shall terminate the rehabilitation on the following grounds:
 - 32.1.1 Implementation of the Plan has become impossible;
 - 32.1.2 The Plan has been completed;
 - 32.1.3 The creditors' 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 debtor bankrupt and liquidate it.

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 debtor's obligations to the creditors shall be discharged and the debtor shall resume its operations.

CHAPTER FOUR

Liquidating the debtor

Article 33. Liquidating the debtor

33.1 The court shall declare the debtor bankrupt and issue a decision to liquidate it under the following grounds:

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

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 of the date on which the order declaring the debtor bankrupt and liquidating it was issued, the court shall make a public announcement thereof through the means of mass media.

Article 34. Placing under seal and inventorying the debtor's assets

34.1 Within 5 days of the issuance of the court order to place under seal debtor's assets, the trustee shall place the debtor's assets under seal and inventory them within 30 days.

34.2 The trustee shall place under seal all of the debtor's assets except for 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 debtor or its representative shall be present at the inventorying of the assets. If the debtor or its representative has deliberately avoided presence at the inventorying of the assets, an inventorying commission appointed by the court shall conduct the inventorying of the assets.

34.4 The document on the inventorying shall be signed by the trustee, debtor and its representative, or commission members if an inventorying commission was appointed.

34.5 The debtor shall be reminded in advance that all its assets have been included in the inventorying document and such document shall be signed by the debtor.

Article 35. Distributing cash

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

35.2 The trustee shall submit to the court a cash distribution plan within 2 months of the issuance of the order to liquidate and shall provide a copy of the plan to all creditors.

35.3 If the creditors disagree with this plan, they shall have the right to appeal to the court within 7 days of 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 creditors 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 rehabilitating the debtor;~~

~~35.5.4 Preferred claims;~~

~~35.5.5 Common claims;~~

~~35.5.6 Salaries and wages of employees who have labor contracts with the debtor;~~

~~35.5.7 Court's expenses;~~

35.5.8 Other. [*This paragraph annulled by Law of July 4, 2002*](#)

35.6 If the proceeds from the sale of all of the debtor's assets are insufficient to pay all claims, the claims of the next group shall be paid upon the full payment of all the claims of the preceding group only. 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 insufficient for settling the claims of preferred [secured] creditors, unsatisfied claims shall be moved to the list of common claims.

35.8 If the court justifies the claim that was submitted after expiry of the period specified in Article 15 of this Law and restores the statute of limitations, 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 debtor to investors (shareholders) according to the law.

Article 36. Terminating the liquidation

36.1 The trustee shall submit to the court its plan of distribution of cash within 20 days of the submission of such plan to the court if the plan has not been contested, or within 40 days if the plan has been contested.

36.2 The court shall review the trustee's report and shall terminate the liquidation in the following circumstances:

36.2.1 The creditors' claims have been paid in full, or the assets of the debtor have been distributed and no assets have remained to be distributed;

36.2.2 Although not all of the assets have been sold, the proceeds from the sold portion have paid all the claims in full.

36.3 Immediately after the termination of the liquidation, the trustee shall inform thereof the registering organization and remove the debtor from the state register.

Article 37. Consequences of liquidation

37.1 Upon completion of the liquidation, the debtor shall be discharged from all unpaid obligations and its obligations before the creditors shall end.

37.2 37.1 of this Law shall not apply to the debtor who has become bankrupt intentionally.

Article 38. Fulfilling the court order to liquidate the debtor

38.1 The meeting of creditors shall decide whether to conduct the activities on fulfilling the court order to liquidate the debtor without supervision and involvement of the court. Such decision shall be issued upon approval by the votes of creditors who own at least 2/3 of the total claims.

38.2 In the event of issuing the decision specified in 38.1 of this Law, the trustee shall implement all of the rights and responsibilities except for that specified in 12.1.1 of this Law.

38.3 The debtor 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 debtor, claimant and other related parties shall be fined for 20,000-50,000 togrogs 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 togrogs;
- 39.1.3 If the trustee exceeds the competence that was granted to him/her, or uses it in its individual interests, or discloses confidential information of others by violating appropriate laws and regulations, he/she shall be fined for 40,000-60,000 togrogs;
- 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 togrogs.

CHAIRMAN OF THE
STATE IKH HURAL

R. GONCHIGDORJ