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Amendment to Strategic Entities Foreign Investment Law

Mongolia passed a law on Strategic Entities Foreign Investment Law ("SEFIL") in May 2012. The intention of the law was to regulate foreign investment in entities of strategic importance (mining, finance and banking, media and communications sectors). The law specified that if a foreign investment in those entities exceeded a threshold of 49%, such investment would need a Parliament approval.

In March 2013, the Cabinet passed on a draft amendment to the SEFIL law to the Parliament. The Parliament approved the final draft of the amendment last Friday, 19 April 2013. The new edition of Article 4.7. of the SEFIL law now reads as follows:

"If an investment by State Owned Enterprises and State Participated Entities in strategically important sector entities exceeds 49%, a Parliament approval following the Cabinet proposal to the Parliament is needed. In all other cases, Cabinet shall be responsible for the approval process."

Thus, investment by foreign private companies in "strategic entities" would no longer need Parliament approval.

The possible reason behind this amendment could be the recent drop in the volume of foreign investment in Mongolia. According to the Bank of Mongolia, the foreign direct investment in Mongolia decreased by 58% as of February 2013 as compared to the same period in the previous year.

Impact of the change to foreign investors

We believe that the above amendment is aimed at easing the investment framework for private companies and focusing the State control on regulating the investment from public sectors. Nevertheless, based on the current reading of this law, we understand that private sector investment still needs approval from the Cabinet.

Source: <http://www.parliament.mn/news/categories/2453/pages/4886>

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