Legal developments in transition countries
An update of commercial and financial laws
January – June 2014
Recent legal developments in transition countries

A summary of legal developments in commercial and financial law

January–June 2014
(Published August 2014)

Countries covered in this update:

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Note: This document has been prepared by lawyers of the Office of the General Counsel. If you have any questions regarding this publication please send an email to the Office of the General Counsel at the EBRD litt@ebrd.com. To read about the EBRD’s Legal Transition Programme go to www.ebrd.com/law
Albania

The Priorities recommended by the European Commission


The strategy expansion 2013-2014 sets out five keys priorities for starting accession negotiations, which are:

- Keep continuing the implementation of public administration reforms
- Further measures to strength independence, efficiency of justice institutions
- Fight against corruption
- Fight against organized crime
- Take effective measures to strengthen human rights protection.

In order to implement all the recommended priorities, are committed all Ministries and central institutions of Republic of Albania.

Share Registration


Joint stock companies, registered at the commercial register, before the registration at the National Registration Center, the changes regarding the shares transfers, registered capital, have the obligation to register these changes at the Shares Registration Center.

Amendments regarding the Financial Supervisory Authority.


The main scope of this Law is to define the rules concerning the establishment, responsibilities and functions of the Financial Supervisory Authority hereinafter referred to as the Authority.

The amendments made are related to inner procedure of this Authority in order to make it legal independent status more autonomous in practicing its competencies specified in the Law and so as to not allow interferences its activities, which may affect independence Authority.

The program of integrated assistance for the development of small and medium Albanian enterprises.

Law No.19/2014, dated 27.2.2014 for the ratification between the Council of Ministers of Albania and the Italian government for the realization of “The integration assistance program for the development of small and medium Albanian enterprises”.

The financial sources of this bilateral agreement reach a value of 1.5 million euro under the form of an assisting loan. The Ministry of Economy, Trade and Energy has agreed with the Concept Paper, which describes and specifies the main activity for the realization of this program.

**Regulatory Compliance Programs.**

*Decision No.12, dated 14.2.2014 of the Energetic Regulatory Authority “On the review and approval of the regulatory compliance program”, presented by TAP based “On the opinion of the final joint opinion” as part of the exclusion procedure for the gas supply.*

The approval of this program is fundamental for the purpose to guaranties the equal treatment of participants in The Booking Phase.

This Law endorses the Regulatory Compliance Program and at the same time informs the Italian and Greece Authority for this decision taken.

**Amendment regarding the settlement of the overdue liability**

*Guidance No.5/1 of the Minister of Finance, dated 21.5.2014 “On some additions in the Guidance No.5, dated 27.2.2014 “On settlement of the overdue liability”*,

This guidance takes into account all the steps taken by the competent authorities in the procedures required for the settlement of the overdue liability. After verifying all the documents required for the bank transfer escrow, this agreement must be part of the dossier submitted from the depository institution to the Treasure Department for the payment order. Within 10 days from the date of funds allocation, authorized employers order the payments transaction for the overdue liability according to the birth time liability to the approved list.

**Amendment regarding the enforcement procedures on Bank accounts**

*Guidance No.2 of the Bank of Albania, dated 27.3.2014 “On the execution of obligations regarding banks account’s amounts”*

This instruction sets specific rules on the obligation executions regarding the banks account’s amounts.

**Law on overdue payments on contractual and commercial obligations**

*Law No.48/2014, “The overdue payments on contractual and commercial obligations”*

The purpose of this Law is to define the rules and the calculating terms of the legal interest on overdue payments, in case of supply of goods or services by commercial enterprises against other commercial enterprises and public authorities, in order to ensure function of the internal market and boost the competition between enterprises, especially between small and medium ones.

**Amendments and additions regarding the Law on legalization, urbanization and integration of illegal construction**

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This law applies to buildings constructed without permits up on 15/01/2009, with residential, functions, economic or social cultural activities and that are possessed by individuals or legal persons registered, including illegal constructions, for which the subjects have not accomplished the self-declaration on legalizations in the defined terms of this Law. This Law extends even for illegal buildings built before the date specified above, until the date that this Law has entered into force, but with the condition that they have been built on a land in ownership with a person that does not have a permit holder, also that the legalization procedure does not require the passage of ownership.

Amendments in the Industrial Property Law


Industrial Designs, trademarks, geographical indications are protected by being registered in the General Department of Patents and Marks (hereinafter GPDM). All the amendments regards terminological changes and the additions affect European Patents in Albania which their application can be deposit in the GDPM and EPO (European Patent Office) also with all the procedure, tariffs and effects of its registration. This law applies to the European patents, unless is specified differently in the EPC (European Patent Convention). There also articles that explains the details procedures regarding marks, design registration including the refusal reasons that might have according the case. Exist the right to sue in court in the cases of violation of this rights and remuneration of damages according to the court decision.

Belarus

State Procurement of Goods (Works, Services) modified

On 1 January 2014, the Edict of the President of the Republic of Belarus of December 31, 2013 No. 590 “On certain issues of state procurements of goods (works, services)” came into legal force. The Edict has expanded the pool of companies and entrepreneurs that are not eligible to participate in state procurement. The pool has been supplemented by entities included in the register of companies and individual entrepreneurs with higher risk of committing offences in the economic sphere. The Edict has also modified the conditions of carrying out procurement from a single source and expanded the range of cases when procurement from a single source is permitted. In addition, the Edict provides special rules with regard to state procurement where estimated cost of goods or services does not exceed 3000 basic values.

Legal regulation of leasing activities modified

On 25 February 2014, the Edict of the President of the Republic of Belarus No. 99 “On the issues of leasing activities regulation” amended the legal regulation of leasing activities. In accordance with the amendments, only the leasing companies included into the register of leasing companies maintained by the National Bank of Belarus are eligible to perform leasing activities. There are exceptions from the general rule that allow certain companies under certain conditions to carry out leasing operations without complying with the registration requirement. In particular, the except applies to (i) local legal entities and individual entrepreneurs provided that no more than three leasing agreements are entered into during any calendar year.
and (or) the total value of leasing objects does not exceed 10 000 basic values in any calendar year; (ii) foreign companies performing leasing activities in the Republic of Belarus through a representative office; (iii) legal entities eligible to grant property into lease in accordance with decisions of the President of the Republic of Belarus; (iv) banks, non-bank credit and financial organizations in accordance with the Bank Code of the Republic of Belarus. The Edict enters into legal force on 1 September 2014.

**Vehicle recycling fee introduced**

On 1 March 2014, Belarus adopted legislation to introduce a so-called “recycling fee” applicable to certain categories of vehicles in the Republic of Belarus. The recycling fee is required to be paid (by individuals and legal entities alike) once for every vehicle (i) produced and disposed of in the territory of the Republic of Belarus; (ii) placed under customs procedure for the purposes of release for domestic use; (iii) imported from the territory of a Customs Union member state and being subject to state registration; (iv) purchased into ownership, economic control or operational management. Exempt from the recycling fee are the vehicles imported by refugees, diplomatic or consular missions (for official, as well as personal use), as well as the ones produced in the territory of the Republic of Belarus by enterprises that assumed the obligation to ensure safe handling of waste materials. The recycling fee introduced in Belarus is somewhat similar to the recycling fee introduced in the Russian Federation on 1 September 2012. In Russia, all leading domestic car manufacturers assumed the obligation to ensure recycling of their own produce and were hence exempt from payment of the fee. In June 2013, EU filed a complaint against Russia with the WTO Dispute Settlement Authority claiming that the recycling fee was providing unjustifiable preferences to the companies having domestic manufacturing facilities in Russia. Following the complaint, the Russian authorities reconsidered their position and amended the relevant legislation to require that, effective from 1 January 2014, the recycling fee be paid by all market participants, including Russian car manufacturers, importers of vehicles from other countries, as well as by enterprises established in the territory of the Customs Union member state that supplying their produce to the Russian market. In view of the Russian case, Belarus may, in the future, widen the range of entities required to pay the recycling fee to include the domestic car manufacturers. The requirement to pay the recycling fee does not apply to vehicles imported or produced before the Edict became effective (i.e. before 1 March 2014).

**Foreign currency loans for small and medium enterprises**

Pursuant to the decision set out in Resolution of the Board of the National Bank of the Republic of Belarus No. 116 dated 28 February 2014, small and medium-sized enterprises have been afforded the possibility of accepting loans in foreign currency provided under agreements with international financial and credit institutions subject to two general conditions (i) the proceeds will be traded at trading sessions of OJSC “Belarusian currency and stock exchange” for accounts with residents of Belarus and (ii) such accounts must be connected with the acquisition (reconstruction, construction, repair) of fixed assets, raw materials, materials, complementary parts, semi-products designated for their own production activities (ie production of goods, works and services). Resolution No. 116 entered into legal force on 8 March 2014.
Croatia

Act on Credit Institutions

On 1 January 2014, the New Act on Credit Institutions entered into force. By this new Act, the Croatian regulations are being harmonised with the EU regulations. Specifically, several directives (especially Directive 2013/36/EU on Access to the Activity of Credit Intuitions and the Prudential Supervision of Credit Institutions and Investments firms) are being implemented into the Croatian legal system and details of implementation of the Regulation no. 575/2013 are being defined. The main amendments have been made in relation to capital maintenance, which is to be conducted through several different levels. Additional criteria for the management of credit institutions are also new, especially detailed prescription of requirements which are to be fulfilled by the supervisory board members. Several new boards are being introduced into the organisational structures of the credit institutions and such boards will be connected to supervisory boards.

Public access to property records

In January 2014, Croatian government granted public access to a database of state-owned property. The database is managed by the State Property Management Office and includes over 380,000 properties. Agriculture land is not yet included. In addition, the government put forward a law which transfers responsibility for seized property from the courts to the Financial Agency, which aims to sell them close to market value. A database of all seized property will be created to encourage more buyers. The combination of these two developments offers a significant opportunity for foreign real estate investors. Namely, corruption risks are likely to be reduced due to greater transparency and scrutiny of property transactions. Also, domestic demand is likely to remain weak over the coming year due to tight credit conditions and government financing needs absorbing most of the credit capacity, pushing up domestic interest rates and potentially dampening growth.

Amendments to the Gas Markets Act

As of February 2014, Amendments to the Gas Market Act became applicable in Croatia. The amended Act defines the new role of wholesale supplier of natural gas. Supplier should be company that domestic natural gas producers will sell the gas under regulated price and conditions and who will then resell the natural gas at another regulated distribution price to local suppliers that ultimately supply end users with natural gas. This role is named “the supplier's supplier”, and Croatian government will appoint such supplier for a definite term, not longer than three years. At the end of February 2014, the Croatian government adopted a decision to appoint HEP d.d. as the new natural gas wholesale supplier until 2017, replacing Prirodniplin d.o.o. as the wholesale supplier. In addition to the wholesale supplier appointment, the government adopted a decision on the regulation of natural gas prices for households. The price of natural gas for industry consumers is not regulated by the state. Complete liberalisation of the natural gas market in Croatia is expected in three years, when the price of natural gas for households will also be formed by the market.
Egypt

Amendments to the Income Tax Law

Presidential Decree no. 53/2014 was promulgated to amend the Income Tax Law no. 91/2005 and the Stamp Duty Law No.111/1980, according to the following:

1. The amendments expanded the tax base to include the income earned by individuals based in Egypt either this income was achieved in Egypt and abroad. It also introduced a new tax on capital gains and dividends. Furthermore, enterprises will be taxed on their revenue generating in Egypt and abroad if Egypt is their main place of activity.

Individuals who are independently working in a non-commercial profession based in Egypt will also be taxed on earnings outside of Egypt. Revenues from intellectual property rights shall also be taxed whether generated in Egypt or outside. Moreover, any other income earned from any profession or activity whether such revenues have been realized in or outside Egypt, if Egypt is the centre of the profession or activity.

The tax shall be imposed on the total net income of individuals residing in Egypt whether gained in Egypt or outside if Egypt was the main place for their commercial, industrial or professional activity. Non-residents shall also be taxed for their income realized in Egypt.

2. The amendments have introduced the dividend tax, which is as follows:

article 1 defined dividends as any income generated from stocks or shares, including redeemable shares or redeemable rights, mining shares, founders’ shares, or any other rights that give a person a right in profit sharing whether such distributions are cash, or bonus, or in the form of bonds, founders’ shares, or otherwise.

All dividends received by individuals exercising a commercial or an industrial activity as defined under Chapter Three of Book Two of the Income Tax Law shall be subject to the income tax whether such dividends are realized in Egypt or outside. The tax will be in the rate of 10% for dividends earned from a source in Egypt and received by a resident individual. The rate shall be reduced to (5%) if the individual taxpayer’s shareholding in the distributing company exceeds (25%) of its capital stock or voting rights and provided that such individual continued to own such 25% for not less than two years.

Individuals who do not exercise commercial or industrial activities shall be exempted from the tax for dividends less than 10,000 EGP.

Dividends which a parent or a holding company receives from resident and non-resident subsidiaries shall be subject to income tax according to Article 49 of the Income Tax Law; however, they may be exempted only if the shareholding of the parent or the holding company is not less than (25%) of the capital or voting rights of the subsidiary; and the parent or holding company continue or undertake to continue to own such percentage for not less than two years. The exemption shall apply after adding (10%) of the value of such dividends to the taxable base of the parent or holding company against non-deductible costs.
Distributions of investment funds established pursuant to the Capital Market Law shall be exempted where the investments in securities and other debt instruments are not less than (80%). Distributions of holding investment funds shall also be exempted from taxes where their investments are confined to the said funds.

Dividends on investment funds shall also be exempted after adding (10%) of the value of these dividends to the taxable base against non-deductible costs. Investment returns from cash mutual funds; returns of bonds listed on the schedules of the Egyptian Exchange, excluding Treasury bills; and profits of mutual funds whose activity is confined to investment in money only.

3. The amendments introduced the capital gains tax. In this regard, article 3 was amended to define the capital gains as those revenues realized from the disposal of securities listed in the Egyptian Exchange, and capital gains realized from the disposal of the securities of resident unlisted Companies, regardless of being listed or unlisted abroad shall be subject to tax. The amendments imposed a tax of 10% on the gains realized from the disposal of the shares of a company, whether such gains have been realized in or outside Egypt.

4. Finally, the amendments, cancelled Article 83 of the Stamp Duty Law which was imposing a stamp duty on the purchase or sale of securities.

**Estonia**

**Alternative for Liquidation Procedure**

Commercial Code amendments adopted on 27 February 2014 which will enter into force on 1 January 2015, set out the possibility for a natural person who is the sole shareholder of a private or public liability company to merge with such company. As a result of the merger, the company will be dissolved, and the rights and obligations of the company will be transferred to the sole shareholder. The purpose of the amendments is to provide a more convenient and expeditious way to end the business activities on a voluntary basis compared to the liquidation procedure.

**Hungary**

**Additional payment rules to allow contributions in kind**

In order to cover losses of a limited liability company, the articles of association may authorize the shareholders to order the provision of additional payment to the capital of the company. Such additional payments do not comprise a part of the registered capital and those amounts not required to cover the losses shall be repaid to the shareholders. Until the adoption of the new Civil Code on 15 March 2014, an additional payment had to be provided in the form of actual cash contribution which means that no set off or in-kind contribution was allowed. Now, shareholders may also provide an additional payment in the form of an in-kind contribution. This allows an additional payment to be provided by converting shareholder loan receivables or providing other valuable assets to the company. The corresponding accounting rules, however, have yet to be updated.

**Rules for judicial review of company decisions**
From 15 March 2014, new rules came into force governing the judicial oversight of corporate decision-making. The rules, which form part of the new Civil Code, are likely to lead to more court proceedings and thus, in the longer term, to provide a settled legal basis for preparing documents and giving legal advice relating to corporate decisions.

The key changes are:

- The new Civil Code grants the right to commence court proceedings to the members/shareholders, directors and the members of the supervisory board for the judicial overview of any decision of companies. This extends the scope of decisions against which the directors and the members of the supervisory board may commence such proceedings.

- The objective deadline for commencing proceedings will increase from 90 days to one year (the subjective deadline remains 30 days)
- Courts will have the power not only to invalidate unlawful decisions but also to order the company to take a new decision
- Courts may declare a decision to be invalid but impose no further consequences where it holds that the violation of the law or the company’s constitution is insignificant and does not jeopardise the company’s lawful operation

**Jordan**

**Draft Reorganisation, Bankruptcy and Liquidation Law**

A new draft law has been submitted for the competent authority’s approval. The law attempts to deal with, *inter alia*, reorganisation of businesses in financial difficulties, bankruptcy of merchants conducting commercial activities and optional and compulsory liquidation of merchants conducting commercial activities. The proposed law will exclude certain types of companies, including companies licensed in accordance with the provisions of the Banking Law and the Currency Exchange Law and insurance companies.

**Private Hospital Draft Regulation**

Jordan is regarded highly for its medical facilities in the region. The new Private Hospitals draft regulation proposes to repeal the current Regulation of Private Hospitals No. 85 of 1980. The law tightens health regulations through the creation of a special committee that is proposed to oversee applications for private hospital licenses, in addition to controlling and managing private hospitals.
Kazakhstan

Investment Climate Improvement

The Law of the Republic of Kazakhstan No. 209-V dated 12 June 2014 "On Introduction of Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Improvement of Investment Climate" became effective on 24 June 2014. Note, however, that main provisions of the law related to tax matters and investment subsides will come into force on 1 January 2015. Main amendments were introduced to the Tax Code, the Land Code, the Law on Investments, the Law on Natural Monopolies and the Law on Employment. The following are the key changes to the investment regime:

- the list of investment preferences now includes two types of investment preferences: (i) investors involved in implementation of "investment projects" are exempt from customs duties and eligible for the state in kind grants; (ii) investors involved in the implementation of "priority investment projects" in addition to these preferences, may also benefit from tax preferences, investment subsidies, stability of tax and labour legislation and exemption from compliance with foreign labour quotas and work permit requirements in respect of foreign personnel.

- new type of investment preference “investment subsidy” was introduced. Investment subsidy is a partial reimbursement by the state of the investor’s costs. It may cover up to 30% of the costs related to construction works and the acquisition of fixed assets.

- the investment preferences cannot be granted to investors partially owned by the state or quasi-state entities, investors attracting funds from the state budget for implementation of a project, investors implementing projects under concession (PPP) contracts, etc.

New Law on Bankruptcy and Rehabilitation


The following main changes were introduced by the new law:

- Additional classes of creditors may now initiate bankruptcy proceedings - creditors under personal injury damages, unpaid alimony, employee compensation, contributions to the National Social Insurance Fund, pension contributions and mandatory professional pension contributions, and compensation due under copyright agreements.

- New order of priority of claims. The new order of priority of claims is as follows: (i) claims resulting from personal injury damages, unpaid alimony, employee compensation, contributions to the National Social Insurance Fund, pension contributions and mandatory professional pension contributions, and compensation due under copyright agreements; (ii) secured creditors; (iii) tax claims and claims of governmental charges; (iv) claims of other unsecured creditors under commercial agreements; and (v) claims for losses and penalties.

- Additional grounds for invalidation of transactions entered into before the bankruptcy were added: (i) the transaction led to a financial loss; (ii) the transaction was out of scope of the debtor’s usual
activity or was not permitted by law or by the debtor’s charter; (iii) the debtor's property was transferred free of charge (including for temporary use), or at a price significantly below market value and to the detriment of the creditors; (iv) the transaction constituted a gift by the debtor outside of its ordinary business activities. Further, a bankruptcy or rehabilitation trustee may also challenge certain types of reorganisations which involved asset transfers.

- Termination of contracts upon bankruptcy. Any provision on termination/refusal to perform the contract in the event of the bankruptcy of a counterparty will be considered invalid.
- Set-off. The new law allows set-off of money claims within rehabilitation and bankruptcy when such set-off is direct, mutual, and does not affect the priority of claims of other creditors.
- Rehabilitation vs. bankruptcy. The debtor may request application of a rehabilitation procedure instead of bankruptcy. The court may approve such request and a rehabilitation plan subject to the creditors' consent.
- Liability of the managers and founders was expanded. The company’s officers may now bear subsidiary liability for the bankrupt’s debts if they fail to initiate bankruptcy proceedings in a timely fashion, disclose accounting records and other information to a bankruptcy or rehabilitation trustee, and provide access to such data. Managers may also bear joint liability in respect of any amount that cannot be collected from the debtor.

**Amendments to the Public Procurement Legislation**


Main changes include:

- National Procurement Regime. Introduction of the national procurement regime under which foreign suppliers would be able to participate in public procurements on equal grounds with the local suppliers provided that there is a relevant international treaty ratified by Kazakhstan. To date, national regime is provided for Belarus and Russia under the Agreement on State (Municipal) Procurements entered into within the framework of the Common Economic Space.
- Domestic Market Protection. In order to protect the domestic market the Government will be entitled to (i) allow participation of only local goods or local suppliers of works and services in public procurements; (ii) block access to public procurements for the suppliers from certain countries; (iii) impose restrictions on the access of goods of foreign origin and works and services rendered by foreign suppliers (e.g. participation in public procurements could be limited to potential suppliers from Belarus, Kazakhstan, and the Russian Federation only) and (iv) determine the conditions of access to public procurements for goods of foreign origin and works and services supplied by foreign suppliers.
- Quality vs price. The choice of a supplier of goods/services is now more quality oriented.
- When choosing tender bids (applications) admitted to tender, the tender commission shall choose the best technical specification.
Kyrgyz Republic

Amendments to the Tax Code

On 18 January 2014, Law No. 13 was signed, amending the Tax Code. The amendments are listed below.

Personal income tax

The Law introduced a deduction restriction for social security contributions. Previously, the mandatory contributions to the state social security scheme were deductible from the taxable income. According to the new Law, the mandatory contributions are no longer deductible in calculating the taxable income for personal income tax purposes. The benefit payments from the state social security scheme are generally exempt from individual income tax. This amendment is effective from 4 February 2014.

Value added tax

The Law introduces a new condition for deduction of input VAT. Taxable persons are entitled to deduct input VAT only if the acquired goods and services are actually paid (through a bank transfer and/or in cash). Furthermore, input VAT deduction will not be available for input VAT paid in cash for acquired goods and services, the value of which exceeds KGS 300,000 per month (approximately USD 6,095), excluding VAT and sales tax. This amendment is effective from 1 April 2014.

Lithuania

Referendum to Maintain Ban on Sale of Land to Foreigners Failed, Allowing Ban to Expire

The referendum to determine whether Lithuanian citizenship would continue as a prerequisite for owning land designated for agricultural use in Lithuania failed because the fifty percent minimum participation threshold was not met. Land sale safeguards, aimed at preventing land speculation, were passed before the referendum, appeasing the segment of the electorate that favours protectionist measures. The new law safeguarding land sales went into effect on 1 May 2014.

It remains unclear whether the safeguards are permissible under EU law, as they may breach the principle of free flow of capital. Moreover, the implementation of land sale safeguards may cause a decrease in land values and lower the country's competitiveness relative to other EU states which do not have similar limits.

Moldova

Regulation on Evaluation of Anticompetitive Horizontal Agreements

The Regulation partially transposes the EU legislation on horizontal agreements: specifically, the EU Regulation No. 1217/2010 regarding certain categories of research and development agreements and EU Regulation No. 1218/2010 regarding certain categories of specialization agreements, as well as the two Communications from the European Commission on the Guidelines on the application of Article 81(3) and 101 of the Treaty of 2004 and 2011 respectively.

Overall, the new Regulation completes the Competition Law with further legal provisions regarding: (1)
the identification and evaluation of cartels, considered the most detrimental form of anticompetitive agreements - agreements that have the object of restricting competition; (2) the identification and evaluation of anticompetitive agreements that have the effect of restricting competition; (3) the exception from the general prohibition of anticompetitive agreements for agreements that contribute to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefits, and that do not impose restrictions that are not indispensable to the attainment of these objective and confer such undertakings the possibility of eliminating competition in respect to a substantial part of the concerned products; (4) the evaluation of research and development agreements and the special conditions for excepting such agreements from the general prohibition of anticompetitive agreements; (5) the evaluation of specialization agreements and the special conditions for excepting these agreements from the general prohibition of anticompetitive agreements.

**Regulation on the Evaluation of Anticompetitive Vertical Agreements**

The Regulation transposes the EU legislation on vertical agreements: specifically, the EU Regulation No. 330/2010 on the application of Article 101(3) of the TFEU to categories of vertical agreements and concerted practices, as well as partially transposes the EU Guidelines No. 2010/C 130/01 on Vertical Restraints, the EU Guidelines No. 2004/C 101/08 on the application of Article 81(3) of the Treaty, and the Commission Notice of 18 December 1978 concerning its assessment of certain subcontracting agreements in relation to Article 85(1) of the EEC Treaty.

The new Regulation provides further legal provisions in respect to anticompetitive vertical agreements. In particular, it further details on: (1) agreements of minor importance, agency agreements; sub-contracting agreements; (2) evaluation of anticompetitive vertical agreements, (3) exemption of anticompetitive vertical agreements that meet the cumulative criteria provided by Competition Law.

What is more, the Regulation sets out a block exemption criteria for vertical agreements where the market share of the parties to the agreement is less than 30%, provided that the respective agreements contains no hard core restrictions and other legal conditions are also met.

**Regulation on Establishing a Dominant Position and Evaluation of the Abuse of a Dominant Position**

The Regulation partially transposes the Communication from the European Commission No. 2009/C 45/02 on the Guidance on the Commission’s enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings.

In particular, the Regulation brings in legal provisions regarding the evaluation of a dominant position on the market and the evaluation of the abuse of such dominant position, by detailing also on different forms of abuse, as provided by Competition Law.

**Law on Electronic Signature and Electronic Document**

The Law on Electronic Signature and Electronic Document No. 91 dated 29 May 2014 (published in the Official Gazette/Monitorul Oficial No.174-177/397 dated 04 July 2014) transposes the provisions of the Directive 1999/93/EC of the European Parliament and of the Council of 13 December 1999 on a Community framework for electronic signatures and provides the types of electronic signature, the manner in which these shall be used, the legal effects of the use of electronic signature, the main legal requirements for the validity of the electronic signature and electronic document, as well as for the certification services.
After the entry into force of this Law, the old Law on Electronic Document and Electronic Signature No. 264-XV dated 15 July 2004 shall be abrogated.

Amendment of the Law on Licensing of Business Activities

Under the Law No. 43 dated 27 March 2014 amending the Law no. 451 – XV dated 30 July 2001 on Licensing of Business Activities (published in the Official Gazette/Monitorul Oficial No. 99-102/247 dated 25 April 2014), the National Bank of Moldova is now empowered to issue licenses for the following types of activities: (i) the activity of the banks, (ii) the activity of the currency exchange units (other than the banks), (iii) the activity of carrying out payment services by payment companies, companies issuing electronic currency, suppliers of postal services, and (iv) the activity of issuing electronic currency by the issuing companies.

Mongolia

Amendments to Minerals law adopted

On 1 July the Mongolian government passed various amendments to the 2006 minerals law, including increasing the area the area available for exploration from 8% to 20% of Mongolia and increasing the exploration period from nine to twelve years. Most importantly, the amendments lifting the 2010 suspension on new exploration licenses. A National Geological Survey and a Policy Council has been established to provide oversight for legal changes to the mining regime.

It is expected that the new law will increase inward investment and help buoy Mongolia’s slowing economy by increasing confidence and foreign investment in mining. Foreign direct investment fell by 52% in 2013 from the previous year, and fell a further 64% in the first five months of 2014.

Morocco

Legal reforms re Competition law and Public Private Partnerships

There are currently a number of legislative reform efforts underway in Morocco. Those include, among others, efforts to enhance the competition law framework in order to converge towards international best practices, and the creation of a structured legal framework for identification and development of public-private partnership (PPP) projects. This dedicated PPP legal framework should help make the country more attractive to foreign sponsors and allow for better project management by public authorities.

The most significant number of legislative and regulatory reforms is being undertaken in the capital markets sector. Specifically, some of the primary institutions regulating the debt market are being reformed to increase their level of independency and supervisory powers, efforts to introduce Islamic finance products are underway, a draft law on covered bonds is being prepared, a new securitisation law has been adopted and a draft law is being prepared to establish a regulated market for the trading of derivatives instruments. Efforts are also underway to provide for a more modern and legally efficient framework for secured transactions, especially with a view to encouraging sound lending to SMEs.
Poland

Legislation on Polish pension reform comes into force

In January 2014, the Polish president signed the law on the reform of the private pension fund sector in Poland. The legislation provides for the transfer of more than half of the assets held by open pension funds (OFEs) to the Polish state and requires open pension funds to transfer 51.5% of their assets (primarily in treasury bonds and treasury bills) to the state’s Social Security Institution (ZUS). The law prevents OFEs from investing in government bonds, treasury bills and other debt instruments issued or guaranteed by the Polish State Treasury, the National Bank of Poland, governments or central banks as well as bonds, mortgage bonds and bank securities issued by Bank Gospodarstwa Krajowego which are guaranteed by the Polish Treasury. The law also regulates OFEs’ investment in stocks and non-PLN denominated assets, and imposes certain obligations regarding investment diversification. The constitutionality of the law has been challenged by different stakeholders but the Polish Constitutional Court has so far refused to consider any of the challenges.

Adoption of bill on taxation of controlled foreign corporations

In March 2014, the Polish cabinet adopted a draft law on taxing controlled foreign corporations. The bill forces Polish companies owning units in countries with lower tax burden (designated as controlled foreign corporations) to include income of those units in their taxable income base. A controlled foreign corporation is defined as an entity that is owned at least 25% by a Polish company in terms of capital or voting rights or the profit share of which represents at least 25% of the Polish company’s profits. In addition, at least 50% of the controlled foreign corporation’s revenues must be financial revenues and the controlled foreign corporation must be located in a country in which the corporate income tax rate is at least 25% lower than Poland’s. The new law will not apply to subsidiaries of Polish companies located and operating in the European Union or the European Economic Area.

Amendments to the Code of Commercial Companies to become effective in January 2015

On 20 May 2014, the Council of Ministers adopted amendments to the Code of Commercial Companies (Kodeks Spółek Handlowych). The main purpose of the proposed changes is to facilitate the establishment and operation of limited liability companies (spółka z ograniczoną odpowiedzialnością). Pursuant to the amendments, capital funding will not be required unless shareholders decide to have share capital (in which case, capital required will be PLN 1 as opposed to PLN 5,000 which is currently required); limited liability companies will be allowed to issue no-par value shares; existing limited liability companies will be entitled to increase their capital by issuing no-par value shares; a solvency test will be introduced; the obligation to create a reserve to cover possible future losses for creditors will be introduced; and the board of directors will be required to make periodic risk assessments of potential significant losses and to ensure sufficient solvency of the company.

It is expected that the proposed amendments will become effective from 1 January 2015.

Possible changes to competition law

On 24 April 2014, the Polish parliament adopted changes to competition and consumer protection legislation. The changes are aimed at helping to eliminate anti-competitive practices and making merger control procedures more effective. Upon the adoption of the new rules, a two-stage merger control procedure would be introduced; the limitation period applicable to the abandonment of an anti- competitive
practice would be extended to five years; the President of The Office of Competition and Consumer Protection (UOKiK) would be able to impose financial penalties on individuals responsible for illegal conduct by companies; parties to prohibited agreements could have their fine reduced if they notify the President of UOKiK of the existence of unknown cartels; businesses which would submit voluntarily to a penalty proposed by UOKiK could have their fine reduced by 10% if they do not appeal against the penalty; UOKiK could include in its final decision who actions the business should take to remedy the effects of its illegal conduct; UOKiK could issue public warnings about the most serious cases currently under investigation where collective interests are being infringed and consumers may be exposed to serious financial losses. The draft legislation should come into force towards the end of 2014 after being debated in the Senate, revised by the lower house of parliament, signed by the President and published in the official Journal of Polish Laws.

Romania

Romanian Parliament adopts a new Insolvency Law

The new Insolvency Code that was created pursuant to the Romanian Government emergency ordinance no. 91/2013 had been declared unconstitutional by the Romanian Constitutional Court in October 2013. Now the Romanian Parliament has adopted a new Insolvency Law (“New Law”), maintaining some of the valuable provisions of the unconstitutional Ordinance.

The New Law consolidates all pre-insolvency, and the vast majority of the insolvency, provisions in Romanian legislation in relation to companies, groups of companies, credit institutions, insurance and reinsurance companies, as well as cross-border insolvency proceedings.

The New Law has come into force on 29 June 2014 and will only apply to newly opened insolvency proceedings. Any ongoing proceedings will continue to be governed by Law 85/2006 on insolvency proceedings.

The purpose of the New Law is to avoid bad-faith use of the insolvency proceedings by the participants (debtor, creditors and official receivers). It also provides clearer instructions and procedures for both judges and participants.

In order to avoid abusive insolvency declarations by debtors, the New Law introduces a debt threshold for any debtor petitioning for insolvency. The threshold (RON 40,000 – approximately EUR 9,100) is applicable to both debtors petitioning for insolvency and creditors seeking insolvency of their debtors.

An important advantage for creditors is that they may now request that the judge appoints their proposed official receiver when joining the debtors’ insolvency petition. Previously debtors were allowed to propose the appointment of their chosen official receiver, leading to potential bias and/or favourable treatment while creditors had limited methods of enforcing the appointment of an alternative official receiver.

The New Law also provides that the initial observation period must be concluded (to either reorganisation or bankruptcy) within 12 months. Creditors can now request interim measures, even before their insolvency petition is heard, in order to prevent the sale of assets by the debtor.

The New Law also regulates creditors financing an insolvent company, providing distinct and well regulated security for the recovery of such loans. Creditors’ receivables generated by the continuing
activity of the insolvent company are now better protected, as the creditor entitled to such receivables will be able, in case of a payment delay of over 60 days for amounts exceeding the RON 40,000 threshold, to seek bankruptcy of the insolvent company and recover his receivables before other creditors.

**New Criminal Code**

On 1st February 2014 Law no.286/2009 entered into force, enacting the new Criminal Code (“New Criminal Code”). The necessity of enacting the New Criminal Code was dictated by the major political, social and economic changes that occurred within Romanian society since the former criminal code entered into force in 1969. According to the Explanatory Notes accompanying the New Criminal Code the objectives of this new regulation were:

- to create a coherent and concerted criminal regulatory framework by eliminating the existing overlap between some criminal offences provided for within the Criminal Code and those comprised within special regulations;
- to simplify the criminal legal provisions so as to promote consistency and promptness in the criminal process, eliminating unwanted disparity between cases and unjustified delays;
- to ensure that the criminal process observes the requirements enshrined in the Romanian Constitution and within the international covenants and treaties on human rights to which Romania is a party;
- to properly transpose the EU regulations into the national criminal legislation; and

- to harmonize the Romanian criminal law system in line with the other EU Member States criminal law systems.

**Russia**

**Russian law Security Instruments**

On 1 July 2014 (the Effective Date) 1 the revised chapter of the Russian Civil Code (the Civil Code) on pledges adopted in December 2013 has become effective (the Amendments). The Amendments, among other things, introduce several new concepts such as co-pledgees of equal ranking over the same property, intercreditor agreements, pledge manager acting as security agent on behalf of all secured creditors, the registration of pledges of movable property and pledges of a special bank account.

1. **Revised essential terms**

The value (otsenka) of the pledged property will no longer be an essential term of the pledge agreement (i.e. its absence will not affect the validity of the relevant pledge agreement). According to the Amendments, the parties may choose to agree up on the value (stoimost’), or the method of valuation of, the pledged property for enforcement or other purposes.

As an exception, for pledgors involved in entrepreneurial activity, it will be possible to define the secured obligations by reference to all or part of the existing and/or future obligations of the debtor to the creditor up to a certain amount, to be determined at the date of enforcement – a so called "all monies" security interest.

2. **New registration requirements for pledge of movables**

From the Effective Date the inoperative requirement of the Law on Pledge relating to registration of pledges
in the pledge book of the relevant pledgor will fall away.

A new system of public recording of pledges of movable property will be created. Russian notaries will be responsible for registering notices of the relevant pledges on the Register of notices of pledge of movable property (the Register). This will be a public register maintained in electronic form by the Federal Notarial Chamber (within the unified information system of notaries) and accessible by any third party online free of charge.

3. **Good faith pledgee and acquirer**

The Amendments introduced the following two new concepts:

(i) a good faith pledgee

(ii) a good faith acquirer

4. **Prior and subsequent pledges**

For the time being (with the exception of mortgages only), it will not be possible to restrict contractually the creation of subsequent pledges over the assets already pledged. The pledgor should promptly notify the prior pledgee of any subsequent pledges and provide their details.

In the first-ranking or any other pledge agreement it will be possible to prescribe the conditions which all subsequent pledges should meet. Potentially, these conditions could be very restrictive. If any subsequent pledge does not meet the restrictive conditions set out in the prior pledge, this will not affect the validity of the subsequent pledge. However, an obligation will fall on the pledgor to compensate the prior pledgee for any damages caused by such breach.

5. **Ranking and intercreditor agreements**

The ranking of any pledges is to be determined by their perfection date, with the exception of: (i) a pledge of movables created prior to the Effective Date and registered during the transition period; and (ii) an earlier created but not registered pledge, if proved that on the relevant signing date, the subsequent pledgee knew or should have known about the existence of the prior pledge.

The ranking of pledges can be varied by the agreement of some or all pledgees and/or the pledgor, provided that this agreement does not affect the rights of third parties which are not parties to such agreement.

6. **Co-pledgees and pledge manager**

According to the Amendments, multiple creditors could benefit from equal ranking pledges over the same property securing their several or joint and several claims. Such pari passu pledgees are called co-pledgees and they can agree to exercise their rights under pledges either independently and jointly, the multiple creditors/co-pledgees may choose to appoint pledge manager.

7. **Revised enforcement procedure**

The revised enforcement procedure contemplated by the Amendments is applicable to all types of pledged property, except for immovable property.

As previously, the enforcement over the pledged property can be carried out either in court or out-of-court. The Amendments explicitly contemplate that the enforcement of a pledge in court can be initiated
notwithstanding that the existing agreement may provide for an out-of-court enforcement procedure.

The requirement for the mandatory appointment of an appraiser to evaluate the pledged property, as well as the limitation on the refundable fee of the auction’s organiser being 3% of the pledged property proceeds’ will fall away together with the Law on Pledge (with the exception of the mortgages). Instead, the pledgee and other parties involved will be obliged to take all possible measures to receive the maximum receivables from the enforcement and will be held liable for damages if they fail to do so. It is currently unclear what measures are meant here and what would be their reasonable extent.

For the purpose of enforcement in court, three methods of realisation are available, namely:

i. public auction conducted in accordance with the Civil Code (the Amendments no longer allow the parties to agree on an alternative auction for court enforcement purposes);
ii. assumption of title by the pledgee; and
iii. sale to a third party.

Moreover, options (ii) and (iii) above are available only if the pledgor is involved in entrepreneurial activity and they have been expressly prescribed in an agreement between the parties.

It remains uncertain whether in case of out-of-court enforcement it is possible to enforce the pledge in the absence of a notarised agreement providing for an out-of-court enforcement procedure and, correspondingly, to apply for a notary's endorsement on enforcement. Although the Amendments have attempted to improve the procedure for out-of-court enforcement generally, out-of-court enforcement without a notary's endorsement is only possible if the pledged property is in the pledgee’s possession or if the pledger voluntarily transfers the pledged assets to the pledgee. Otherwise the out-of-court enforcement shall be conducted via the notary's endorsement and will require a notarised agreement providing for an out-of-court enforcement procedure.

8. **Pledge of special bank account**

The Amendments have finally expressly introduced the pledge of rights to a bank account. However, the bank account must be a special pledge account, the status of which is to be further clarified and developed in the regulations of the Central Bank of Russia. To date, a draft of the regulation on the procedure for opening a special pledge account has been published on the website of the Central Bank of Russia, but it has not been adopted yet.

9. **Registration of mortgage**

According to the special rules of the Amendments on mortgage, a mortgage (but unlike previously, not the mortgage agreement itself) is subject to state registration. The mortgage comes into existence upon registration of the right of mortgage in the relevant register. On the one hand, the abolition of the duplicate registration requirement is aimed at streamlining the registration process. On the other hand, the registration authorities may now argue that the mortgage right cannot arise before the underlying secured obligation has arisen (unlike previously, where the mortgage agreement could be registered in advance), and for this reason the right of mortgage may not be registered until, for example, credit is disbursed.

10. **Pledge of goods in circulation**

The Amendments allow identification of pledged goods in circulation by reference to their generic characteristics and their location. Additionally, in order to distinguish between pledged goods in circulation and other goods in the same proximity, a notary could be used to certify the fact of their location at the specific address at a specific time. This potentially resolves the previously existing problem with the proper
identification of pledged goods in circulation and facilitates the use of such pledges.

11. **Floating charge (in force from 2015)**

From 1 January 2015 the Amendments provide the theoretical possibility for the pledgor engaged in entrepreneurial activity to pledge all, part, or certain types of its property. This is an attempt to introduce into Russian law a concept similar to the English law floating charge. However, it is not yet clear what perfection requirements will apply to such floating charge. Until this gap is regulated in the relevant legislative acts, the concept is unlikely to be used in practice.

**Another Package of Changes to the Russian Civil Code- Legal entities**

Changes to Chapter 4 of the first part of the Russian Civil Code were signed into law on 5 May 2014 and come into effect on 1 September 2014. The main changes include the following:

1. Cancellation of the closed joint-stock company (the "CJSC") as a legal entity

From the effective date, existing CJSCs will operate under the general rules for joint-stock companies until the moment of the first change to their foundation documents. Re-registration of CJSCs will not be required.

2. Tougher liability for directors and officers and majority shareholders

In particular, parent companies that consent to transactions of subsidiary companies may be liable for such transactions. Furthermore, persons exercising actual control over a company who are neither directors nor shareholders (e.g. a non-direct shareholder by a shareholders' agreement) are liable for losses which they inflict to the company if they act with fault.

3. Introducing the 'non-operating legal entity' concept as part of a continuing fight against "fly-by-night" companies

Legal entities may be considered non-operating and struck off state registers if in the past 12 months they have not filed financial statements and have not conducted any transactions as shown in at least one of its bank accounts. The legal effect of this is equivalent to liquidation.

4. Facilitated procedure for re-organising legal entities

In particular, from the effective date a so-called “mixed” re-organisation where various methods of re-organisation are combined will be allowed for all legal entities. Also, a simultaneous re-organisation of more than two legal entities will become possible even if they operate via different legal forms.

**Corporate Governance Code**


The Code develops and broadens the principles and provisions of the 2002 Code of Corporate Conduct taking into account the modern corporate laws and court practice formed as relevant disputes were
resolved. The Code is of an advisory nature and is recommended, first, for joint stock companies with shares admitted to organized trades.

The Code includes, among other things, the following sections:

1. **Shareholders’ rights and equality of conditions for shareholders when exercising their rights**

The Code, in particular, points to the need to ensure secure and effective means of recording shareholders’ rights and to provide for shareholders’ ability to dispose of their shares quickly, without limitations.

The Code provides for the recommendations on improving the procedure for the convocation and holding the general meeting of shareholders and the provision of shareholders with relevant information.

The Code includes recommendations on establishing a transparent and clear mechanism of determining the amount of dividends and their payment. It stresses that a company should refrain from detracting from the existing shareholders’ dividend-related rights and from diluting their stocks when conducting corporate actions.

2. **Board of directors; company’s executive bodies, liability of the members of the board and the company’s executive bodies**

The Code reflects the approach established by the Supreme Commercial Court in its Plenum Resolution No. 62 dated 30 July 2013 “On Certain Matters of Indemnification of Damages by Members of a Company’s Governing Bodies”.

The Code clarifies in detail the rules of procedure and functions of the board of directors that are meant to ensure progress of the company and effective control over its operation.

The Code establishes requirements for an independent director. Pursuant to the Code, an independent director should be a person who (i) is not related to the company; (ii) is not related to a significant shareholder of the company; (iii) is not related to a significant counterparty of the company; (iv) is not related to the state (the Russian Federation or its constituent entity) or a municipal body. The Code clarifies these categories in detail and recommends that independent directors make up at least one-third of the board of directors.

According to the Code, the board of directors must establish committees for the preliminary consideration of the more important aspects of the company’s operation: (i) an audit committee; (ii) a remuneration committee; (iii) a strategy committee; (iv) a nominees’ committee; (v) a corporate governance committee; and (vi) an ethics committee.

3. **Remuneration for members of the board of directors, executive bodies and other senior employees of the company**

The Code establishes basic attitudes to the calculation of the amount of fixed remuneration and retirement benefit, recommends ways of short-term and long-term motivation for members of the board of directors and other corporate managers.

4. **Disclosure of information**
Among other things, the Code recommends that the company disclose significant information about its operation even where the law does not require such disclosure. The company should disclose, in particular, information about the structure of the company’s capital; the system of corporate governance; the company’s investment and information memoranda; information about all significant risks that may affect the company’s operation.

5. Significant activities

Among other things, the Code contains recommendations for a company’s entry into major transactions, reorganization or acquisition of the company, listing and delisting of shares, the company’s charter capital increase, splitting, consolidation and conversion of shares.

The Government approved the draft Code on 13 February 2014.

Serbia

Serbian legislation on the Organisation of the Courts and Jurisdiction

The Serbian Government has taken first steps of upgrading the court system with the passing of the new Law on Seats, Jurisdictions of Courts and Public Prosecution Offices, and of the amendments to the Law on Organization of Courts, which came into force on 1 January 2014. The most notable change is in the number of general courts in Serbia, which has been increased from 34 to 66. In Belgrade new courts were introduced: in addition to the First and Second general courts, a Third general court was established with jurisdiction over the municipalities of Zemun, New Belgrade and Surcin.

Changes relating to courts’ jurisdiction have also been implemented. Beginning on 1 January 2014, only the High court in Belgrade will have jurisdiction over cases concerning bans on the distribution of press and the dissemination of information in the media; publishing rectification of information in the media, hate speech ban violations, personal life protection rights, and the compensation for damages resulting from violations of law on published information and violations of intellectual property rights. The Commercial court in Belgrade has jurisdiction over all cases concerning intellectual property if such cases are subject to the commercial courts’ jurisdiction otherwise.

Law on Seats, Jurisdictions of Courts and Public Prosecution Offices (“Official Gazette of the Republic of Serbia”, no. 101/2013)


Privatisation Law Reform– Creditor Protections in Restructuring

The Serbian Parliament passed a new Law amending the Law on Privatisation, which entered into force on 13 May 2014 under urgent procedure. The moratorium on enforced collection from companies in restructuring has been prolonged for 150 days and a new procedure has been prescribed for creditors to follow in collection of claims. Creditors of companies in restructuring are obliged to submit a request to the Privatisation Agency for collection of their claims, with all relevant documentation, within 30 days from the day the law entered into force, for the purpose of registration of claims. Upon receiving the request, the Privatisation Agency is under the obligation to propose the manner for collection of the claim to creditors within 90 days and creditors may raise objections to such proposal. From the date falling 150 days from the law entry into force, creditors who have followed the prescribed procedure may initiate/continue
proceedings for enforced collection from companies in restructuring, and creditors who have not potentially lose their claim (subject to further interpretation of the law).

Privatisation Law ("Official Gazette of the Republic of Serbia", no. 51/2014)

Arm’s Length Interest Rates for Banks and Leasing Financial Institutions

The Rulebook on Arm’s Length Interest Rates (Pravilnik) with respect to arm’s length interest rates was adopted on 15 February 2014. The rulebook provides the prescribed interest rates applicable to related-party financing arrangements, and is applicable for taxpayers with related-party financing during 2013, the rulebook affects transfer pricing documentation for 2013. The new rulebook differentiates arm’s length interest rate for financial institutions, including financial leasing companies, and other corporate forms. The rulebook also differentiates the arm’s length rates for long-term loans from that for short-term loans. Arm’s length interest rates are prescribed for loans in Serbian Dinars, Euros, US dollars and Swiss Francs.


Slovak Republic

Ministry of Finance “white list” will affect withholding tax rates on cross-border payments made by Slovak tax residents.

On March 1, 2014, Slovakia introduced an increased withholding tax of thirty-five percent on certain cross-border payments made by Slovak tax residents to taxpayers of non-“white list” countries. The published “white list” currently includes 64 countries that either: (1) have an income tax treaty for the avoidance of double taxation or an agreement on exchange of tax information with the Slovak Republic; or (2) are parties to an international agreement with similar exchange of information provisions.

Slovenia

National Reform program

In April 2014, the Slovenian government adopted its national reform program for the 2014-2015 period. The program continues existing reform efforts focused on balancing the budget and continuing work on the privatisation of state-owned entities and bank restructuring. It also aims to cut the public sector wage bill by 5% in 2015, streamline the public sector and change the ways that municipalities are financed.

Privatisation Legislation

In 2012, the Slovenian government adopted legislation to establish the Slovenia Sovereign Holding (the “SSH”), which was expected to support privatisation efforts by centralising management of Slovenia’s state-owned companies. The SSH, however, has not yet commenced operation, primarily due to the inability of the parties in Parliament to agree on which state assets will be classified as “strategic,” and therefore not be available for sale. This deadlock was at least partially resolved with new legislation enacted in April 2014, which allows the SSH to become operational even if Parliament cannot agree on the asset management strategy proposed by the government. The Act also authorises the SSH to decide on the disposal and voting of shares held by existing funds under state ownership.
Financial Collateral Act

Recently adopted amendments to the Financial Collateral Act have made it easier for creditors to conduct sales of mortgaged property out of court. Mortgagees can now arrange for the sale of relevant real property with a Slovenian notary and satisfy their claims from the proceeds generated or, if the sale has not been successful, assume ownership of the real property.

Bankruptcy Reforms

Recently adopted amendments have removed certain obstacles to insolvency proceedings in Slovenia, including the ability of shareholders to obstruct the compulsory settlement restructuring process. A new accelerated compulsory settlement procedure for sole traders and micro-sized companies has also been implemented. Other reforms have introduced new procedures for medium to large sized enterprises to encourage solvent reorganizations (conducted mostly out of court) and in-court modified compulsory settlement proceedings for insolvent corporate debtors. It is hoped that these amendments will incentivise debtors and banks to reach an early, consensual restructuring solution outside of the courts.

Tajikistan

Tajik Legislators to Adopt a Law on Islamic Banking Activity

The law on Islamic banking in Tajikistan, which was drafted by the government, has been recently adopted by the Parliament of Tajikistan.

Under the law on Islamic banking in Tajikistan, the National Bank of Tajikistan (NBT) would grant licenses to Islamic lending agencies for operating in Tajikistan and would regulate their activities in the country.

Islamic banking is a banking activity that is consistent with the principles of Sharia and its practical application through the development of Islamic economics. Sharia prohibits the fixed or floating payment or acceptance of specific interest or fees (known as riba, or usury) for loans of money. Investing in businesses that provide goods or services considered contrary to Islamic principles is also haram ("sinful and prohibited"). Although these principles have been applied in varying degrees by historical Islamic economies due to lack of Islamic practice, only in the late 20th century were a number of Islamic banks formed to apply these principles to private or semi-private commercial institutions within the Muslim community.

Islamic banking has the same purpose as conventional banking: to make money for the banking institute by lending out capital. But that is not the sole purpose either. Adherence to Islamic law and ensuring fair play is also at the core of Islamic banking. Because Islam forbids simply lending out money at interest, Islamic rules on transactions (known as Fiqh al-Muamalat) have been created to prevent it. The basic principle of Islamic banking is based on risk-sharing which is a component of trade rather than risk-transfer which is seen in conventional banking.

Proposed amendments to the Anti-corruption Law

The Tajik parliament is currently considering proposed amendments to the country's law against corruption. If adopted in its current form, the law will give NGOs and international organisations active in Tajikistan a greater role in fighting against corruption.
The new law will amend existing anti-corruption legislation. Tajikistan adopted its first anti-corruption law in December 2004, replacing this with a later law in July 2005, which has remained in force until now, although amendments were introduced in 2007, 2008 and 2011.

Under the proposed amendments, not only government bodies - ministries, government agencies, state committee and local governments - but also political parties, NGOs and international organisations working in Tajikistan will be recognised as anti-corruption actors. Hence, they are obliged to take measures to prevent, identify and eliminate corruptions and collaborate with mass media and other citizens to fight corruption. The law will also set out the activities of Tajikistan’s National Anti- Corruption Council.

The Law on Securities Market to be amended

Tajik legislators propose to amend the Securities Market Law so to include a requirement to report all the dealings and suspicious transactions of the securities market participants to the special anti-money laundering body in Tajikistan. Such reporting would not be subject to commercial secrecy or confidentiality protection requirements.

Turkey

Amendment to the Healthcare PPP Legislation

The Parliament has enacted a new law amending certain provisions of Law No 6428 on Construction and Renovation of Healthcare Facilities and Procurement of Services by the Ministry of Health under PPP Model and Amendment of Certain Laws and Decrees (the “Healthcare PPP Law”). According to the amendments, in case it is understood that a project may not be completed with the existing terms and conditions due to force majeure, extraordinary circumstances or any other reason which is not attributable to a contractor, the remuneration amount would be adjusted taking into account the date of the final bid and project agreements would be amended accordingly. However, in cases where (i) force majeure, extraordinary circumstances or other events affecting the implementation of project agreements and schedules thereof occur or (ii) the provisions of project agreements and schedules thereof contradict with each other, the project agreement or schedules may be amended, except for the contract amount. The Minister of Health would have the authority to approve such amendments. The new amendments also require a new High Planning Council (Yüksek Planlama Kurulu, the “HPC”) authorization where the cost of investment established in the tender specification has increased beyond the thresholds in prefeasibility study. The project agreements may be amended after the HPC re-authorizes the Ministry of Health. The Law envisages the applicability of the amendments to both continuing tenders and already signed project agreements.

In addition, in April 2014 a supporting regulation in relation to the previously approved law enabling certain projects to benefit from Turkish Treasury’s debt assumption in case of early termination of healthcare PPP projects has been published.

Corporate Governance Communiqué

The new Corporate Governance Communiqué, prepared in accordance with Capital Market Law No. 6362, was published and entered into force on 4 January 2014 (“Corporate Governance Communiqué” or “Communiqué”). The Communiqué repeals former Capital Markets Board communiqué regulating principles for listed entities, namely the guidelines to be followed by listed entities with respect to
transactions with related parties. It should be noted that the provisions of the Communiqué outlined below may differ from those relevant to listed financial institutions, which are governed under the authority of the Banking and Regulatory Supervision Agency (“BRSA”). The Communiqué grants the Capital Markets Board an expansive authority and, subject to the BRSA’s consent, the Capital Markets Board may require banks which are not traded on the stock exchange to comply with certain corporate governance principles. The Communiqué introduces new rules on issues such as corporate governance, related party transactions, guarantees, pledges and mortgages.

**Implementation of Basel III Capital Accord**

The Banking and Regulatory Supervision Agency (“BRSA”) has released the Regulation on Equity of Banks (published in the Official Gazette dated 5 September 2013 and numbered 28756), the Regulation Amending the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (published in the Official Gazette dated 5 September 2013 and numbered 28756), the Regulation on Capital Conservation and Countercyclical Capital Buffers (published in the Official Gazette dated 5 November 2013 and numbered 28812), the Regulation on Measurement and Assessment of Leverage Levels of Banks (published in the Official Gazette dated 5 November 2013 and numbered 28812) (together “Basel III Framework”), all of which came into force on 1 January 2014. Furthermore, in line with the Basel III liquidity standards, the BRSA has published the draft form of the Regulation on Measurement of Liquidity Matching Ratio of Banks, which is expected to be promulgated in due course. Standards of the Basel III Capital Accord which are transposed into Turkish law through Basel III Framework include matters such as minimum capital requirements, additional capital buffers, contractual loss absorption features, point of non-contractual loss absorption and loss absorption pre-specified trigger point

**Turkmenistan**

**Adoption of law on public associations**

In June 2014 Turkmenistan adopted a new law on public associations. In contrast to the law adopted in 2003, the new one provides fuller reflection of the generally recognized principles and norms of the international law.

A public association is a voluntary, self-governed, non-profit formation established on initiative of citizens united by common interests and goals. With the help of these associations, citizens can jointly solve common problems; protect their interests in the fields of politics, economy, education, science, culture, environment, etc.

This law excludes religious and non-profit associations, created by commercial organizations. “Public associations are based on principles of voluntariness, equality, autonomy, legitimacy and transparency,” the law says.

Adoption of the new law is supposed to promote civil society development in Turkmenistan.

**Constitutional reform**

In May 2014 Turkmen President Gurbanguly Berdymukhamedov signed into law a bill to set up a special commission tasked with a constitutional reform - “On establishment of the Constitutional Commission and
its composition for improvement of the Constitution”.

According to the document, the Commission is expected to develop and synthesize science and practice based proposals for improvement of the Constitution to bring national legislation in line with international standards.

The Turkmen leader said the reform was needed to speed up and broaden the ongoing social and economic reforms in the country. He said that the old constitution does not reflect the ongoing transition to the civil society values and market economy.

According to the head of state, particular attention should be paid to strengthening the judicial protection of the rights and freedoms of citizens and individuals and increasing mutual responsibility of an individual and the state.

The constitution would ensure better protection of citizens’ rights and freedoms, the president said. As part of the reforms, the country would create the post of a human rights ombudsman.

This is the second constitutional reform by Berdymukhamedov, who became president following the sudden death of his eccentric authoritarian predecessor Saparmurat Niyazov in 2007.

Parliament of Turkmenistan reviews number of draft law

In May 2014 a number of new laws and legal acts were reviewed at the third meeting of the Parliament of Turkmenistan of the fifth convocation.

In particular, the parliament members discussed the draft law of Turkmenistan on Public Associations. In accordance with the Constitution of Turkmenistan, this legislative act will ensure the right of citizens to establishment of public associations. It will define the legal and organizational bases for establishment, operation, reorganization and liquidation of public associations. The law will also regulate social relations arising in this area. [N.B. This bill was passed into law in June 2014] The parliamentary session also discussed the draft law of Turkmenistan on State Registration of Rights to Real Property and Transactions with Real Property, defining the goals, tasks and legal framework in this area, and the draft law of Turkmenistan on State Guarantees of the Rights of the Child, which provides for the basic guarantees of the rights and legitimate interests of the child under the Constitution of Turkmenistan with the view to creating the legal, socioeconomic conditions for the rights and legitimate interests of children.

The members of parliament also discussed the draft laws of Turkmenistan on State Secrets, on Information and its Protection, on Amendments to the Law of Turkmenistan on the Freedom of Conscience and Religious Organizations, on Amendments and Additions to the Labour Code of Turkmenistan, on Amendments and Additions to the Criminal Code of Turkmenistan, on Amendments and Additions to the Criminal Procedure Code of Turkmenistan, on Amendments and Additions to the Code of Administrative Offences, on Amendments to the law of Turkmenistan on Military Duty and Military Service, on Amendments to the law of Turkmenistan on Measures Related to Treatment of Persons Suffering from Alcoholism, Drug Addiction or Dependence on Psychoactive Substances, on Amendments and Additions to the law of Turkmenistan on Communication, on Amendments to the law of Turkmenistan on Road Traffic Safety, on Amendments and Additions to Some Legislative Acts of Turkmenistan.

The members of parliament discussed the draft resolution of the Mejlis of Turkmenistan on Amendments to the Resolution of the Mejlis of Turkmenistan on Election of the Credentials Committee of the Mejlis of Turkmenistan, on Recognition of Powers of Members of the Mejlis of Turkmenistan Elected from Some Constituencies and other documents.

The members of parliament approved the draft laws under consideration and expressed confidence that they would provide a strong foundation for the further progress of Turkmenistan.

The legal basis of research work is strengthened
The law on the state policy of science and technology adopted in March this year stipulates the goals and principles of formation and realization of the policy of science and technology in the country, regulates relations between subjects of research activity, institutions of state authority and management and consumers of research products.

As for main notions used in the law, it should be noted that together with traditional scientific notions such as fundamental and applied researches, for the first time such notion as an innovative activity was used and it should be become one of the priorities of Turkmen science.

The law lays a legal basis for creation of an efficient socio-economic mechanism for maximum use of research results in solution of tasks of food abundance of markets, organization of high technology wasteless industry, production of articles of consumers and enlargement of spheres of services for population, enhancement of quality of health care services, as well as betterment of ecological situation and rational use of resources. The ensuring of economic, social security for the research, research and teaching, invention and rationalization activity, social support to research workers make up the main goals of the law.

With a view of development of innovative economy, the state promotes development of state and private partnership, ensures equal legal and economic opportunities for efficient function and development of diverse forms of ownership in research areas. Research workers, engineers, inventors, and other specialists that are developers of research projects can carry out private business by way of creation of their own enterprises and organizations.

The basic principle of the state policy of science is to ensure a link between research and innovative activity in the spheres of education, revealing of gifted children and talented young people and state support in development of their research and technological skills. The state policy of science and technology is based upon the principles of ensuring freedom for research and technological activity, protection of intellectual property, improvement of the reputation of research work and technological development. In compliance with the law, the state ensures creation of state data banks and systems in the spheres of science and technology, conducts collection of data, registration, analytical processing, preservation and delivery of research and technological data to consumers, facilitates publication of research works, as well as obtaining of research journals, books, and other printed matters of research issued outside Turkmenistan.

The main articles of the law also ensure the state support for international cooperation in science and technology, create necessary legal conditions and facilitate realization of research work of organizations and researchers of Turkmenistan on an equal and independent basis with research organizations of foreign countries and international research societies.

**Turkmen parliament approves law On Combating Corruption**

On 3 March 2014, the Parliament of Turkmenistan (Majlis) approved and unanimously adopted a draft law "On Combating Corruption" at a regular meeting. The new law defines basic principles of anti-corruption legal and institutional framework to combat corruption, its prevention, to eliminate causes and conditions that contribute to commission of offenses related to corruption, and elimination of their consequences. For the first time, certain categories of civil servants are forbidden to engage in entrepreneurial activity, to open accounts in foreign banks, to accept gifts, contrary to established order, to receive honorary and special titles, awards and other insignia of foreign states, international organizations and political parties.
Civil servants also have to provide information about their income, expenses and assets as well as income, expenses and assets of their spouses and minor/dependent children. Prosecutor General of Turkmenistan and subordinate prosecutors are given the role of coordinating fight against corruption in the country in accordance with the new law. The President also has a right to form a government anti-corruption body and determine its status and powers.

**Pipeline of laws for 2014: Session of the Mejlis of Turkmenistan**

The Mejlis of Turkmenistan of the fifth convocation held its second session. The meeting agenda focused on a number of draft laws and regulatory acts.

Among the main documents considered during the meeting was the draft of the Law of Turkmenistan "On the establishment of the medal of Turkmenistan "Magtymguly Pyragy". The Law was drafted given the Turkmen leader's initiatives put forward during an enlarged meeting of the Cabinet of Ministers of Turkmenistan dedicated to the jubilee festivities on occasion of the 290th birthday anniversary of the great Turkmen classical poet, philosopher and thinker of the East Magtymguly Fraghi. The medal will be awarded for the merits in the study, propagation and popularization of the creative heritage of the great Turkmen poet, whose works were included into the world literature treasury.

The Turkmen parliamentarians also considered the drafts of the Laws "On approval and introduction of the Budget code of Turkmenistan", "On the commodity and raw material exchanges and exchange trade", "On the state scientific and technological policy", "On nature protection", "On corruption management". Other drafts of the laws were considered and the Resolutions "On approval of the membership of the Resident representative of the Mejlis of Turkmenistan at the Parlamentarian Assembly of the Organisation for Security and Cooperation in Europe", "On elections of the deputies of the Mejlis of Turkmenistan in constituencies", "On the plan of the law-making activity of the Mejlis of Turkmenistan for 2014" were adopted during the session.

**Ukraine**

**Changes in the Ukrainian anti-corruption legislation**

On 4 June 2014 the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine in the Area of State Anti-corruption Policy in connection with the Fulfilment of the Action Plan for the Liberalisation by the European Union of Visa Regime for Ukraine”, dated 13 May 2014 (the “Law”) became effective. The Law has aligned a number of anti-corruption laws of Ukraine with European standards. In particular, liability for corruption offences has been toughened and additional obligations on legal entities aimed at preventing corruption were imposed. Following the effectiveness of the Law, both officers and regular employees of private legal entities can be held criminally liable for corruption offences committed while performing employment duties. The Law has also introduced criminal liability for giving a bribe and accepting a bribe by individuals providing public services, such as auditors, appraisers, notaries, etc. In addition, Ukrainian legal entities are now required to develop and adopt internal regulations and to take other measures aimed at detecting and preventing corruption. A failure to take such measures may result in a fine being imposed, a confiscation of property or a liquidation of the company being ordered.

**Law on Occupied Territories Adopted**

On 27 April 2014, the Law of Ukraine “On Guaranteeing Rights and Freedoms of Citizens and the Legal Regime in Temporarily Occupied Territories of Ukraine”, dated 15 April 2014 (the “Law”), entered into force. While recognizing that the territory of Crimea is temporarily occupied, the Law declares that it shall remain an integral part of Ukraine. Under the Law, the Constitution of Ukraine and Ukrainian laws shall
continue to apply in Crimea. Public authorities created in Crimea not in accordance with Ukrainian laws are deemed illegal and their acts will be deemed null and void.

In accordance with the Law, court cases that fall under the jurisdiction of Crimean courts will instead be heard in local and appellate courts in Kyiv. Proprietary rights of public entities and private persons in respect of assets (including real properties and land plots) located in Crimea are declared intact. The Law also provides that the acquisition of freehold title to real property located in the occupied territories must be formalised in accordance with Ukrainian laws outside the occupied territories. Transactions in real properties that contradict Ukrainian laws will be considered invalid. The Law does not provide for any restrictions on conducting business activities on the occupied territories. It is expected that the regime of business activities on the occupied territories will be regulated in a separate law.

**Protection of Investors' Rights Improved**

On 1 June 2014 the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine Regarding Protection of Investors’ Rights” No. 1255-VII, dated 13 May 2014, (the “Law”) came into force. With the passage and the effectiveness of the Law, some long-lasting conflicts between Ukrainian labour laws and Ukrainian corporate laws regulating relations between the shareholders of a company and its management were eliminated. In particular, while it was possible for the shareholders of a company to freely dismiss the company’s officers without cause under Ukrainian corporate laws, Ukrainian labour laws contained substantial restrictions on the exercise of such powers. The Law has fixed this by providing that a company can terminate an officer’s employment without cause as a result of the termination of corporate powers. The Law has also introduced unlimited financial liability of corporate officers for direct damages and lost profits suffered by the company as a result of such officer's violations.

**List of Permits shortened**

On 26 April 2014 the Law of Ukraine “On Amendments to Certain Legal Acts of Ukraine in Respect of Shortening the List of the Permissive Documents”, dated 9 April 2014 (the "Law"), became effective. The Law abolishes the requirement to obtain approximately 100 permits, such as permits for the production of energy from alternative sources, and significantly simplifies the procedure for obtaining a number of other permits, such as water use permits, waste disposal and air pollutions permits. In addition, the requirement to obtain a grain quality certificate and a compliance certificate for services of grain storage were cancelled. Registers of such certificates were cancelled as well. These changes would significantly simplify transportation of grain within the territory of Ukraine and grain import/export operations.

**Uzbekistan**

**Amendments to the Constitution of the Republic of Uzbekistan**

In April 2014 a number of changes were introduced to the Constitution of Uzbekistan to transfer certain powers from the President to the Premier-Minister and the Cabinet of Ministers. The transferred powers are in their majority have technical nature and related to the development and implementation of economic and social policies and coordination of the state bodies managements. The amendments also strengthened the Parliament's role in controlling functioning of the government agencies.

**Amendments to the Law on Joint Stock Companies**

In May 2014, the Parliament approved a new edition of the law on Joint Stock Companies. The new JSC
Law, introduced a number of changes to the previous regime for the JSCs to provide more flexibility for public offerings and trade sales of the JSCs shares to third parties. In addition to that there were number of changes removing certain burdensome and timely procedures for the existing JSC shareholders, ensuring more transparency and control in management of JSCs and supervisory boards and protection of the minority shareholder's rights.

**Law on transparency of the State Authorities**

The new law on transparency of functioning of the government agencies was approved in March 2014. The law establishes that the functioning of the state authorities shall be based on the principles of transparency and openness to the public. It has also provided grounds for inquiry of certain information regarding the activity of the state authorities and obligation of the latter to respond to such inquiries from the public.