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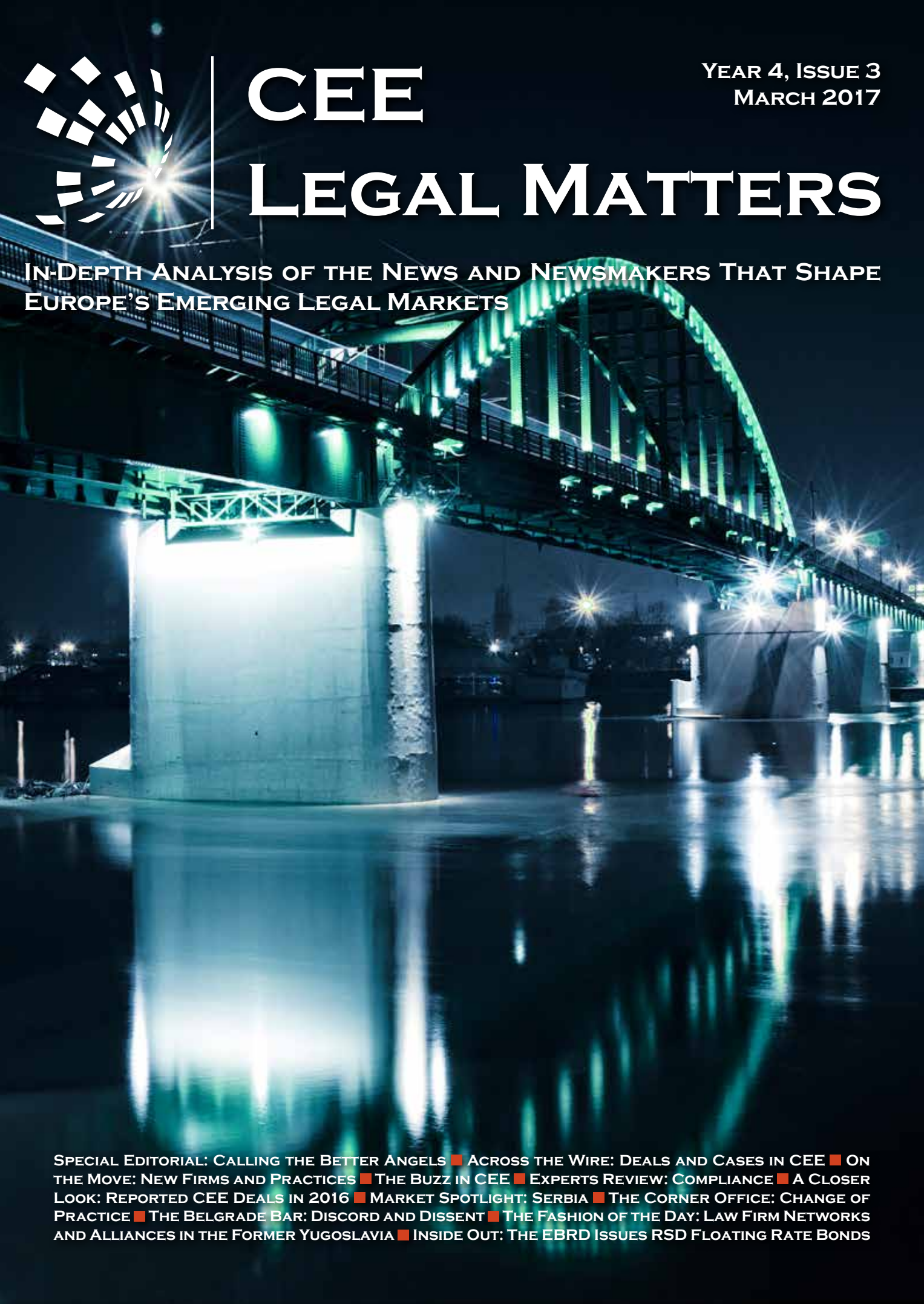
CEE Legal Matters

In-Depth Analysis of the News and Newsmakers That Shape Europe's Emerging Legal Markets



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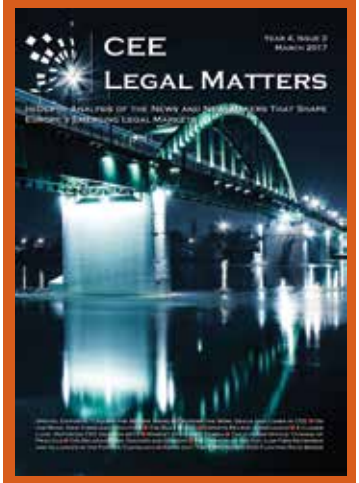

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Letters to the Editors:

If you like what you read in these pages (or even if you don't) we really do want to hear from you. Please send any comments, criticisms, questions, or ideas to us at:

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EDITORIAL: CALLING THE BETTER ANGELS

Special warning: *This is a personal editorial, and not particularly related to lawyering in CEE. I hope our readers will indulge this unusual exception to our normal practice.*

As an American living in Europe, I've received many requests for my thoughts about Donald Trump's becoming President of the United States. In one sense, my explanation for that bewildering achievement is simple: He encouraged and then exploited fear for his own benefit.

However, Trump's victory in America's Electoral College is so significant – both in itself and as part of a larger, global story – that it requires expanded consideration.

First, it's important to acknowledge that Trump's victory in fact came after similar election results across Europe. Most notorious, perhaps, was the BREXIT – the 2016 decision by a majority of voting English to withdraw their country from the European Union. Similarly, though she has not yet herself won any significant election in France, Marine Le Pen's party, the National Front, has been growing in popularity in recent years (in December 2016 one poll found it the most popular party among French citizens ages 18-34), and similar growth has been reported for nationalistic parties in the Netherlands, Germany, and elsewhere in Western Europe.

That phenomenon is perhaps particularly noticeable in CEE, where the return of authoritarian governments in recent years represents nothing so much as an unfortunate – almost tragic – reversion to a familiar norm. Thus, the consolidation of power by Recep Tayyip Erdogan in Turkey, Viktor Orban in Hungary, Andrzej Duda in Poland, and most famously Vladimir Putin in Russia, all stir memories of recent strongmen.

So Donald Trump's successful campaign for president in the United States should not be viewed in a vacuum, as if it happened in isolation from the rest of the world. Instead, his popularity, like that of the others, represents the result of the wave of hysteria, paranoia, xenophobia, and fear sweeping across the planet. The dangers of this phenomenon are real, and go far beyond the mere election of overmatched and unenlightened strongmen. That wave could well generate major military conflict, and soon. Our friends in Ukraine might suggest that time has already come, in fact, and Mikhail Gorbachev recently lamented in Time magazine that "it looks as if the entire world is preparing for war." He's right.

This is madness.

Outrageously, infuriatingly, this retreat from democratic principles and from the institutions that have been so instrumental in creating an unprecedented period of peace, progress, and cooperation across the Western world flies directly in the face of reason and evidence.

For despite the claims of Trump and his ilk, this is, empirically, an unprecedentedly safe era, leading modern statisticians to note that, in the words of Steven Pinker, "today we may be living in the most peaceful era in our species' existence." Even deaths by terrorism in the West – the casus belli of this modern political hysteria – are low compared to the relatively dangerous 1960s and 70s. Look back to the years of the Red Brigades, ETA, the Baader Meinhof group, the Weather Underground, and the IRA, and consider that popular sentiment did not retreat from hope during those times.

And yet voters around the world nonetheless feel that the world is more dangerous now.

Why? Part of the answer for that, I believe, involves the cynical creation and exploitation of purported dangers by politicians who stand to gain as a result. Indeed, authoritarian leaders have always claimed that their nations face a significant economic and physical threat from outsiders, either in the form of minority populations or recent immigrants or refugees – especially if they have darker skin and/or different religions (and if they have both, look out). These craven politicians claim the need for expanded executive power and inevitably insist on aggressive interpretations of constitutional powers, cite unusual circumstances justifying exemptions from constitutional limitations, or attempt to amend constitutions outright in their favor. Inevitably, all – including, of course, Messrs. Putin, Trump, Erdogan, and Orban – insist that their elections are critical to their countries' safety.

Continue reading on page 6.

GUEST EDITORIAL: INTERNATIONAL VS. LOCAL – IN DEFENSE OF LOCAL FIRMS

By Martin Kriz, Partner, PRK Partners

I keep hearing that local offices of international firms have been dominating the CEE legal market. Journalists covering the market look at the corporate, finance, and litigation league tables for the region, notice that international firms occupy more places than would be typical in Western Europe, and report a story of global brand domination. I am almost certainly biased, but I see things differently.

I admit, in reviewing the current league tables in the leading legal directories, we can see that global and regional firms are notably present across the higher tiers. But the remarkable thing is not their continuing presence; it's the distinct rise of independent local players. The progression is actually fairly easy to chart.

In the early 1990s, when the CEE markets opened, international firms arrived on the wave of foreign direct investment and were well placed to meet the growing demand. Larger local practices were literally non-existent, and the international firms encountered no effective competition. This resulted in a slew of international players opening offices throughout the region. At the time of state-owned sales and privatizations, the international firms on the ground prospered. As a result, few if any local law firms occupied top spots in league tables.

Since then, the situation has been gradually changing. Many of the international firms have either exited the market or downsized operations considerably. At the same time, top-tier domestic firms have been thriving, and most have outgrown the local offices of the internationals. An article that appeared in CEE Legal Matters two years ago highlighted that in banking, corporate, and litigation tables at the time, on average 57.7% and 56.5% of top tiers were occupied by locals, according to Chambers and The Legal 500, respectively. Notably, the methodology employed by CEE Legal Matters did not count any of the purely CEE brands as locals if they operated in more than a single jurisdiction, thus perhaps tipping the scales in favor of "international" firms a bit more than may have been justified.

Yet, we only need to look at recent Chambers Europe Awards' nominations to see the impact that local firms are making. In four of the seven country awards to be conferred in the CEE region this year local champions formed a clear majority of nominees. However, local firms have not only gained traction in the nomination process – they win as well. By way of example, the Czech Republic stands out for producing two lone independents that hold their own – with successive award wins – against strong global players. Ours is, I feel obliged to point out, one of them.

Of course, market observers can be forgiven for misinterpreting the trend. When you look at the rankings for the entire CEE region, only international firms are present. It makes sense – the international firms have the wider footprint with offices in multiple jurisdictions within the region. Local firms tend to be present in just one or a few. Thus, the regional league tables are naturally skewed in favor of the larger, international firms. The question is whether this says anything about the market share of the internationals versus the locals. My answer is: not necessarily.

As a region, the CEE is not any more coherent in terms of history, languages, or territory than any given region of Western Europe. The reason why CEE regional league tables are produced is that a number of international firms have opted for a pan-CEE strategy and there is a market for tracking their success. It should then be no surprise that the international firms pursuing a pan-CEE strategy excel in league tables tracking firms applying such a strategy. A woman standing before a mirror and asking who is the fairest in the land should not be that surprised to see herself.

What the pan-CEE league tables fail to measure is the actual proportion of CEE work handled by local firms. A huge number of deals involving the region are handled by firms who have not opened their own local outposts or are present in just a few of the CEE jurisdictions. They naturally need to team up with the top domestic practices in order to meet sophisticated client demands. This is an arrangement that works well for the locals and provides a significant source of high-profile work, yet the league tables are completely silent about this story.

So do local offices of the international firms dominate the CEE market? They certainly are present in the market, and I am sure that they do a great job. There may be jurisdictions where they keep casting a long shadow. But the times of their dominance of the region are over.

Turkey

Begum Durukan Ozaydin Leaves Birsel to Start New Office (p 15)

A Closer Look

Reported CEE Deals in 2016 (p 34)

The Fashion of The Day

Growing Number of Legal Alliances Across The Former Yugoslavia (p 40)

Experts Review

CEE Experts Review Round-up on Compliance (p 62)

EDITORIAL: CALLING THE BETTER ANGELS (CONT.)

But these spurious claims depend for their success on the existence of a general state of anxiety, like weeds growing on fertilized land. That anxiety, I believe, is attributable directly to the information age we live in. And that, I believe, is the real story.

For 99.9% of human history, news of violence in other parts of the world reached us slowly, if ever. Even when, somewhere in the 1940s and 1950s, we developed the ability to relay stories from abroad relatively quickly via radio and then television, there was a delay. Reporters had to get into place, find people to interview, and learn the details of the stories, and even then their reports needed to be slotted into hourly or nightly newscasts, which – because only limited time was available – were forced to order stories by significance, import, and relevance. (All of this, of course, depended on the press being able to report the stories it wanted to begin with).

But with the rise of cable and satellite TV, 24-hour news networks, hand-held cameras and mobile phones, and – of course – the Internet, those previous sorting factors fell away. News was ubiquitous, immediate, constant, and unfiltered. Everything was reported, everywhere, immediately. A child kidnapped in Seattle would be immediate news in Miami. A bomb going off in Baghdad would be reported immediately in Stockholm. And, yes, the Twin Towers could be watched crumbling and falling, live, around the world, as it happened. The unholy combination of 24-hour news networks desperate to fill time, technology allowing stories to be documented and transmitted to each and every one of us instantaneously, and the "if it bleeds it leads" mentality is unprecedented.

And it is tragic, for we have had no opportunity to develop the kind of cognitive skills we need to filter and make sense of this flood of information. Instead, we react to it all instinctively and emotionally. It creates a sense of dread, of anxiety, of concern that dangers lurk around every corner: that every child may be kidnapped, that every foreign country is dangerous, and that every stranger is a potential threat. And, overwhelmed by that anxiety, we abandon our principles in exchange for promises that we'll be kept safe, as illusory as those promises may be.

What's the answer? I don't know. A sense of humor and perspective helps. Education helps. But I also suggest we recall – and encourage others to recall – the following keys to regaining sanity: (1) Bad things have always happened, are happening now, and will always happen, and no President or Prime Minister has it in his or her power to prevent them – and we must not only ignore and reject, but actively mock claims to the contrary; (2) Nonetheless, life is good; we are healthy, we play with our kids, we go dancing or to the cinema, we eat our favorite meals in our favorite restaurants – we are not at war, or close to it, despite the claims made by those who stand to profit from our fear. In other words, the awareness that sometimes bad things happen does not, in fact, require that life everywhere be played out under a shadow. Finally, (3) When images of violence appear on TV, pay attention to and encourage others to notice how many people are rushing towards the site, to help. The overwhelming majority of people rush to help. That spirit of compassion, of shared humanity, is where hope and strength come from.

Abraham Lincoln once, famously, inspired his countrymen to hope for an escape from a time of conflict by invoking "the better angels of our nature." We cannot hope that the current American President and his cohort of small, angry people will respond to – or even understand – the enlightened exhortation of his predecessor. But we, fortunately, are not bound by their cynicism. We – all of us, everywhere – can do better.

Now: A quick turn to this issue of the CEE Legal Matters magazine: It's a good one. Radu spent a number of sleepless nights compiling, sorting, and filtering our annual Table of Deals to come up with our top ten lists and market-by-market breakdowns by number and value of reported deals. We also, for The Corner Office feature, focus on how the careers of Managing Partners in CEE have changed over time.

For the Market Spotlight on Serbia, we consider the recent growth of Balkan law firm alliances and networks, and we review the controversial passage and recent demise of an unusual voting limitation on lawyers employed by law firms in the Belgrade Bar association. The Spotlight also contains a larger-than-usual Market Snapshot feature and an introductory editorial by Branislav Zivkovic at Serbia's Zivkovic Samardzic Law Firm.

Add in the Table of Deals and On the Move sections, The Buzz from across CEE, a special guest editorial from Martin Kriz at PRK Partners, and an Experts Review feature focusing for the first time on Compliance, and this issue is something special.

Finally, we would like to remind our readers of this year's GC Summit, scheduled for Warsaw on June 1-2, 2017. This year's event – our third – builds on the successes of the 2015 Summit in Budapest and the 2016 Summit last year in Istanbul. We're putting together a top-notch roster of speakers and panels to make this event the best yet. If you're a General Counsel or Head of Legal, make sure to visit the Summit website at www.2017gcsummit.ceelegalmatters.com. If you're a law firm interested in sponsoring the event, please contact us for more information. The Summit is an invaluable two-day combination of best practices, networking, professional education, and fun. We look forward to seeing everybody there.

David Stuckey

What do you expect from your law firm?
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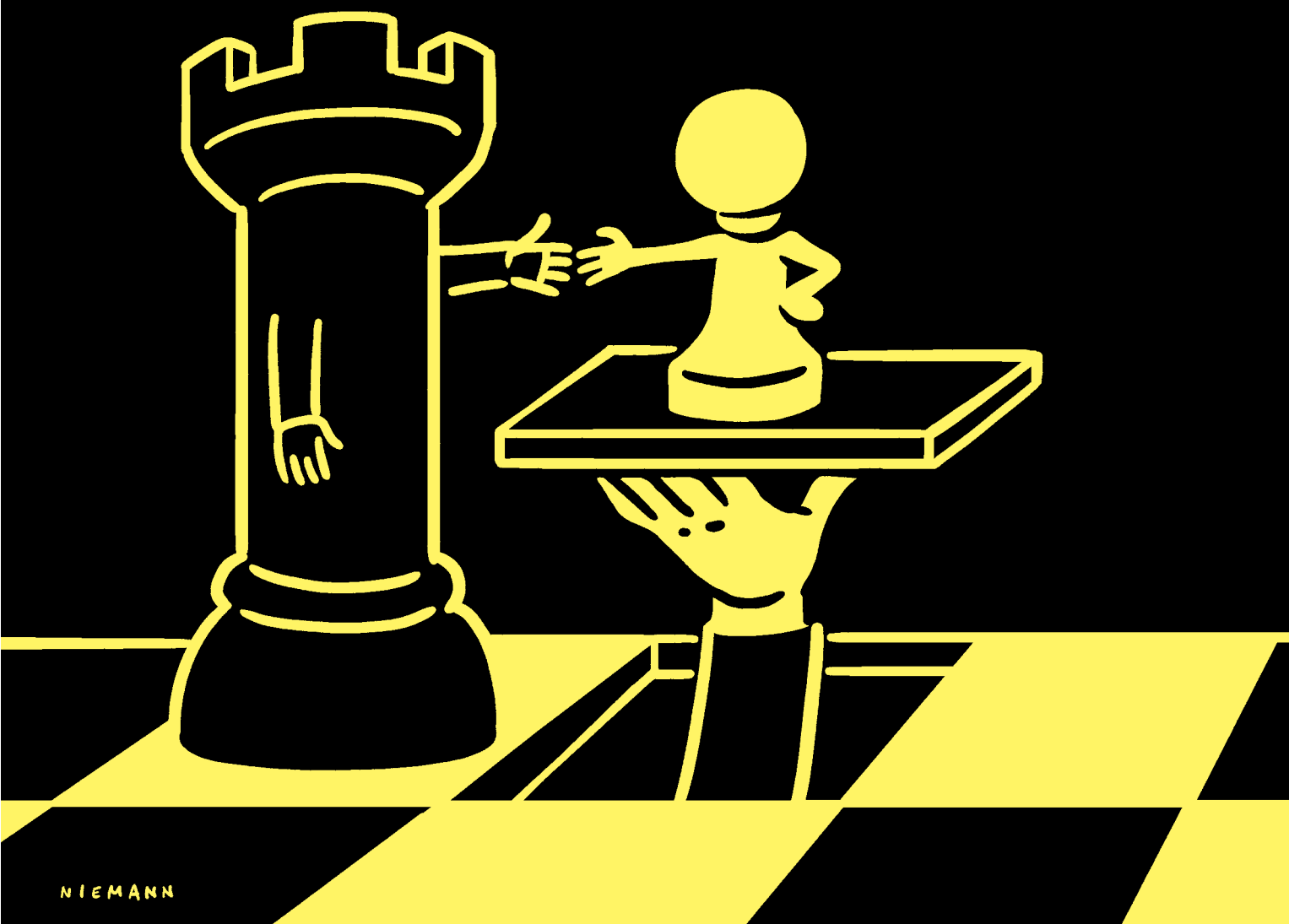

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ACROSS THE WIRE: DEALS SUMMARY

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
10-Feb	Cerha Hempel Spiegelfeld Hlawati; EY Law; Kaufman & Canoles	CHSH advised on Austrian legal aspects of LifeNet Health's recently-concluded acquisition of Krems-based tissue bank AlloTiss from Drs. Karl Kaudela und Ursula Burner. CHSH collaborated with U.S. firm Kaufman & Canoles to facilitate the transaction, while the sellers were advised by EYLaw.	N/A	Austria
14-Feb	Schoenherr	Schoenherr advised UNIQA Insurance Group AG on a contract with IBM Oesterreich GmbH for the upgrade of UNIQA's business processes and IT infrastructure.	N/A	Austria
15-Feb	Binder Groesswang; Domanski Zakrzewski Palinka; Kinstellar; SCWP Schindhelm	Binder Groessswang served as lead counsel to the Belgian Puratos Group in the acquisition of 100% of Diamant Nahrungsmittel Group from the German Werhahn Group. Kinstellar and Domanski Zakrzewski Palinka worked alongside Binder Groesswang in the Czech Republic and Poland, respectively. SCWP Schindhelm reportedly advised Diamant Nahrungsmittel Group on the transaction.	N/A	Austria
16-Feb	Wolf Theiss	Wolf Theiss advised OBB in a tender for up to 200 freight locomotives in areas dealing with procurement and contract law. Siemens succeeded as the best bidder in the tendering procedure.	N/A	Austria
27-Feb	BPV (Hugel)	BPV Hugel represented the Vienna airport in a procedure for exemption from procurement rules before the European Commission.	N/A	Austria
27-Feb	PHH Attorneys	PHH Attorneys advised Harold Primat, a French investor living in Switzerland, on his acquisition of almost 12% of shares in tractive GmbH, an Austrian company focusing on pet wearables.	EUR 2 million	Austria
28-Feb	Clifford Chance; Schoenherr; Weber & Co.; Wolf Theiss	Schoenherr advised publicly traded, global sugar, starch and fruit processor Agrana Beteiligungsverwaltungs-Aktiengesellschaft as issuer on its successful rights offering of 1,420,204 new shares, combined with a secondary offering of 500,000 existing Agrana shares held by Sudzucker AG, one of Agrana's core shareholders. Joint global coordinators Berenberg, BNP Paribas, Erste Group, and Raiffeisen Bank International were advised by Clifford Chance Deutschland and Weber & Co. Rechtsanwalte, while Sudzucker was represented by Wolf Theiss.	EUR 192 million	Austria
7-Mar	Dorda	Dorda advised German industrial and logistics property developer Log4Real on its acquisition of properties in close vicinity to the Vienna Airport from an undisclosed seller.	N/A	Austria
13-Mar	Baker McKenzie; Fellner Wratzfeld & Partner	Fellner Wratzfeld & Partner advised Ankerbrot AG on acquiring a 65% shareholding in the Linauer & Wagner bakery group from shareholders Brigitte Linauer, Karl Linauer, and Backerei Wagner Betriebs gmbH & Co KG. Baker McKenzie advised the sellers on the deal.	N/A	Austria
1-Mar	Dorda; Pecarevic & Relic	Dorda advised Austrian real estate investor and developer Supernova Group in its successful acquisition of four DIY retail properties in Croatia: The Garden Mall shopping center in Zagreb, two retail parks in Koprivnica and Sisak, and one property in Pozega. For the Croatian legal aspects, Dorda collaborated with Pecarevic & Relic.	N/A	Austria; Croatia
27-Feb	Cerha Hempel Spiegelfeld Hlawati; Hogan Lovells; Taylor Wessing	Taylor Wessing advised Warimpex Finanz- und Beteiligungs Aktiengesellschaft on the partial sale of its hotel portfolio to the Thai investor U City Public Company Limited. CHSH and Hogan Lovells advised U City on the transaction, which included participations in eight hotels in the Czech Republic, Poland, and Romania, two of which are partly (50%) owned by UBM Development AG.	N/A	Austria; Czech Republic; Poland; Romania; Russia; Slovakia;

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
14-Mar	BASEAK; Cerha Hempel Spiegelfeld Hlawati; Hengeler Mueller; Kolcioglu Demirkan Kocakli	CHSH and Balcioglu Selcuk Akman Keki Avukatlik Ortakligi advised OMV on the sale of all of its shares in Turkish mineral oil distribution company OMV Petrol Ofisi AS to Vitol Group. Kolcioglu Demirkan Kocakli worked with Hengeler Mueller in advising the Vitol Group on the sale.	EUR 1.368 million	Austria; Turkey
23-Feb	Sayenko Kharenko	Sayenko Kharenko successfully represented the interests of Porsche Ukraine in its protection of the VW, AUDI, and SEAT brands in Ukraine.	N/A	Austria; Ukraine
15-Feb	Arzinger	Arzinger advised a group of the Middle East investors led by Agromilk Holding (UAE) on their acquisition of the state-owned dairy farm located in the Grodno region of Belarus.	N/A	Belarus
9-Feb	BDK Advokati; Boyanov & Co.; KG Law; Neocleous Law Firm; Nestor Nestor Diculescu Kingston Petersen; Skadden Arps; Winston & Strawn	The firms of the SEE Legal network reported that they worked alongside Skadden Arps in advising BA Glass I – Servicos de Gestao e Investimentos S.A. (the parent company of BA Vidro S.A.) on its acquisition of substantially all of the Yioula Glassworks SA glass container business from Yioula Glassworks SA and its subsidiary Yalos Holdings (Overseas) Limited. Yioula Glassworks was supported on all legal issues by Winston & Strawn.	EUR 550 million	Bulgaria; Greece; Romania; Serbia;
10-Feb	Kocian Solc Balastik	KSB provided legal services to the CERCL Green group in connection with the sale of Green Gas International by means of a management buy-in for an undisclosed consideration to ML Green Netherlands B.V., a special purpose management buy-in company jointly owned by private investors Laurent Barrieux and Martin Vojta.	N/A	Czech Republic
16-Feb	Allen & Overy; Glatzova & Co.	Glatzova & Co. advised Denemo Media s.r.o. on its acquisition of a 50% shareholding in FTV Prima, with Allen & Overy advising Modern Times Group, the seller.	N/A	Czech Republic
17-Feb	Kocian Solc Balastik	KSB assisted the MS Invest real estate development company in its issue of discounted bonds.	CZK 320 million	Czech Republic
23-Feb	Dunovska & Partners	Dunovska & Partners was selected to supply legal services to Komercni Banka, a.s and Societe Generale.	N/A	Czech Republic
8-Mar	Ostrava Zachveja & Partneri; Taylor Wessing	Taylor Wessing Prague advised Hectas Facility Services Stiftung & Co. KG, from Germany, on the disposal of its subsidiary Hectas Facility Services, s.r.o., which supplies cleaning and technical services in the Czech Republic, to Ostrava-based MW-Dias, a.s. Ostrava's Zachveja & Partneri firm advised the buyers.	N/A	Czech Republic
13-Mar	Kinstellar; White & Case	Kinstellar successfully advised Deutsche EuroShop AG on its EUR 374 million acquisition of Olympia Shopping Center in Brno from a joint venture of ECE Real Estate Partners and Rockspring Property Investment Managers LLP. White & Case advised the sellers on the transaction, which is expected to be finalized within the first half of 2017, and which represents Deutsche EuroShop's entry into the Czech market.	EUR 374 million	Czech Republic
14-Mar	Delta Legal; JSK	JSK advised the Lama Energy Group on its acquisition of Live Telecom from sellers Pavel Stepanek, David Lukac, and Zdenek Nesveda. The sellers were represented by Delta Legal.	N/A	Czech Republic
13-Mar	CMS; Gleiss Lutz; Mannheimer Swartling	Gleiss Lutz and CMS advised the Pradera retail property fund and asset managers on its acquisition of 25 prime retail parks in eight European countries from IKEA Centres. The sellers were advised by Mannheimer Swartling.	EUR 900 million	Czech Republic; Poland

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
13-Feb	Baker McKenzie; CMS	CMS, working alongside Sidley Austin, advised Mid Europa Partners on its sale of Alpha Medical, a prominent provider of laboratory testing services in the Czech Republic and Slovakia, to Unilabs. Baker McKenzie reportedly advised Unilabs on the the transaction.	N/A	Czech Republic; Slovakia
17-Feb	BPV	BPV Braun Partners advised Unilabs on regulatory issues related to its acquisition of Alpha Medical Group's laboratories in the Czech Republic and Slovakia from Mid Europa Partners.	N/A	Czech Republic; Slovakia
9-Feb	Leadell (Pilv)	Leadell Pilv successfully represented AbeStock AS, Viimsi Kaubanduskeskus OU, and ABC Vara AS before the Estonian Supreme Court in a dispute over their alleged joint and several liability for a EUR 4.6 million debt.	EUR 4.6 million	Estonia
14-Feb	Ellex (Raidla); Glikman Alvin; Supremia	Glikman Alvin advised JSC BM Bank (the former Bank of Moscow) on the transfer of its 59.7% stake in the Estonian Credit Bank to Coop Eesti and Inbank. Ellex Raidla acted for Coop and Inbank, while Supremia Attorneys at Law advised the mediator of the share sale.	N/A	Estonia
16-Feb	Glimstedt	Glimstedt advised Estonian-based Guardtime on its contract to design the next-generation NATO cyber range defensive platform with the Estonian Ministry of Defense.	N/A	Estonia
17-Feb	Primus	Primus advised Skeleton Technologies on a EUR 15 million "quasi equity" financing from the European Investment Bank.	EUR 15 million	Estonia
21-Feb	Njord	Njord assisted bitcasino.io establish a bitcoin gambling operating company – Kopikas Entertainment OU – with only bitcoins as share capital contribution.	EUR 1 million	Estonia
23-Feb	Glimstedt	Glimstedt advised Levikom on its launch of the world's first "open value chain" IoT network.	N/A	Estonia
23-Feb	Leadell (Pilv)	Leadell Pilv successfully defended clients Karl and Kaarel Liivapuu in Harju County Court against a civil claim for damages of over EUR 127,000 based on allegations that they improperly influenced "a member of management board ... to perform a transaction harmful for the company by selling an apartment under its market value."	EUR 127,000	Estonia
8-Mar	Ellex (Raidla)	Ellex Raidla advised East Capital Explorer on the sale of its 38.3% shareholding in the Trev-2 Grupp to the Baltcap Private Equity Fund.	N/A	Estonia
13-Mar	Cobalt; Tark Grunte Sutkiene; Varul	Varul, the Estonian member of Tark Grunte Sutkiene, advised the shareholders and management of Citypark Eesti, one of the largest parking services providers in Estonia, on the sale of 100% of its shares to Stova, a member of Lithuania's Modus Group. Cobalt advised Stova on the deal.	N/A	Estonia
20-Feb	Baker McKenzie; Ellex	Baker McKenzie and Ellex advised European vending and coffee services company Selecta Group on the sale of its Baltic subsidiaries to BaltCap Private Equity Fund II, managed by BaltCap. Cobalt advised BaltCap on the deal.	N/A	Estonia; Latvia; Lithuania
21-Feb	Ellex (Klavins); Ellex (Raidla); Ellex (Valiunas); Sorainen	Ellex Raidla, Ellex Valiunas, and Ellex Klavins advised Kesko on the sale of a 45% interest in its Baltic machinery trade subsidiaries to DAVA Agravis Machinery Holding A/S, a subsidiary of Denmark's Agro group. Sorainen advised the buyer on its acquisition in Lithuania.	EUR 21 million	Estonia; Lithuania
13-Mar	Drakopoulos	Drakopolous advised Yalco, a major Greek distributor of household goods and hotel equipment listed on the Athens Stock Exchange, on the EUR 1.9 million sale of its 100% Romanian subsidiary to a Cypriot purchaser.	EUR 1.9 million	Greece; Romania
7-Mar	Drazic, Beatovic & Stojic; Holman Fenwick Willan; White & Case; Zivkovic Samardzic	Holman Fenwick Willan and Zivkovic Samardzic advised Serbian industrial conglomerate MK Group on the proposed acquisition by its subsidiary AIK Banka of Alpha Bank A.E.'s Serbian subsidiary. Alpha Bank was advised by White & Case and Drazic, Beatovic & Stojic on the transaction.	N/A	Greece; Serbia
24-Feb	Estudio Olaechea; Noerr; Moroglu Arseven; Zepos & Yannopoulos	Noerr, Zepos & Yannopoulos, and Moroglu Arseven advised Daimler AG on the acquisition by subsidiary Intelligent Apps GmbH – provider of the e-hailing app mytaxi – of Taxibeat, the Greek app-based taxi booking company. Daimler was also advised by Estudio Olaechea in Peru.	N/A	Greece; Turkey
9-Feb	CMS; Jeantet	Jeantet advised Orbis, a unit of the French group Accor, in a buyback transaction involving five hotels in downtown Budapest operating under Accor brands from Erste Group Immorent Holding GmbH. CMS advised Erste Group Immorent on the deal.	EUR 64.3 million	Hungary
14-Feb	Cerha Hempel Spiegelfeld Hlawati	CHSH Dezso & Partners advised Domper Kft. and Subterra a.s. in an investigation launched by the Hungarian Competition Authority concerning an an alleged restrictive agreements involving the construction of Hungary's M4 motorway.	N/A	Hungary
16-Feb	Weil Gotshal & Manges	Weil represented MOL in its acquisition of a majority interest in the OT Industries Group	N/A	Hungary
16-Feb	CMS; Dentons	CMS advised Futureal on its acquisition of the Sasad Resort residential development in the Buda hills area of Budapest from GTC. Dentons advised the sellers on the deal.	N/A	Hungary
17-Feb	Oppenheim; Ormos Law Firm	Oppenheim advised Skanska on its lease of a 17,300 square meter space in the Mill Park complex in Budapest to IT Services Hungary, starting in Q2 2018. The Ormos Law Firm advised ICT Services Hungary on the deal.	N/A	Hungary
17-Feb	Szabo Kelemen & Partners; VJT & Partners	Szabo Kelemen & Partners advised CarNet Invest Zrt. on its acquisition of Auto-Fort group from C.P Holding and Interag. The sellers were advised by VJT & Partners on the deal.	N/A	Hungary
20-Feb	CMS	CMS advised Belgian real estate developer Atenor on the sale of Building A in the Vaci Greens complex in Budapest.	N/A	Hungary
6-Mar	Kinstellar	Kinstellar assisted Rubik Ventures (Luxembourg) on its sale of the SPV owning an office building in Budapest to Videoton Group.	N/A	Hungary

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
23-Feb	Tria Robit	Acting on behalf of Intercontinental Great Brands LLC, Tria Robit convinced AS Siera Nams to withdraw its application to register the figurative mark PHILADELPHIA.	N/A	Latvia
27-Feb	Primus	Primus successfully represented the publishing house VESTI at court in a dispute with Latvian citizen Gulam Mohammad Gulami, who had brought an action for the retraction of defamatory information and damages.	N/A	Latvia
27-Feb	Sorainen	Sorainen, acting on behalf of SIA Bauskas Dzive, he publisher of the Latvian newspaper of the same name, persuaded the Latvian Supreme Court to partially satisfy a complaint against a decision of the Administrative District Court, which had refused to initiate a case on the basis of Bauskas Dzive's application against the conduct of the Council of Iecava Region, itself the publisher of the Iecavas Zinas newspaper.	EUR 33,000	Latvia
1-Mar	Dominas Derling; Leadell (Balciunas & Grajauskas)	Dominas Derling advised the selling shareholders of Litagra on the transfer of its trading business and grain elevator network in Lithuania and Latvia to the Achema Group. Leadell Balciunas & Grajauskas represented the buyers.	N/A	Latvia; Lithuania
10-Feb	Asters	Asters represented Eugene Kazmin, a Ukrainian national and the owner of the KVV Group, a scrap metal holding company in Ukraine, in investment arbitration against the Republic of Latvia.	N/A	Latvia; Ukraine
14-Feb	Tvins	Tvins advised UAB Finansu Bite Verslui on becoming the first member of the public list of crowdfunding platform operators in Lithuania.	N/A	Lithuania
7-Mar	Cobalt; Tark Grunte Sutkiene	Cobalt advised the shareholders of UAB Sekargas Ir Kompanija – a Lithuanian provider of cargo supervision and quality inspection services – on the sale of 70 percent of the company's shares to J.S. Hamilton Poland S.A. Tark Grunte Sutkiene advised J.S. Hamilton Poland on the transaction.	N/A	Lithuania
8-Mar	Fort	The Court of Appeal of Lithuania granted the appeal of Fort's Vilnius office and decided that the court of first instance increased the risk of different court decisions arising from similar circumstances by obliging 212 investors of the bankrupt Snoras bank to submit 212 separate claims instead of one joint claim.	N/A	Lithuania
13-Mar	Magnusson & Partners; Motieka & Audzevicius	Motieka & Audzevicius advised the shareholders of Bendrosios Medicinos Praktika on the sale of the hospital to the CGP Management holding company. Magnusson & Partners advised the buyers on the deal.	N/A	Lithuania
1-Mar	Zivkovic Samardzic	Zivkovic Samardzic secured a victory for Petrol d.d. Ljubljana and Petrol Crna Gora MNE d.o.o, the leading Slovenian energy company and its Montenegrin subsidiary, in their dispute with Konim d.o.o. Belgrade in the Montenegrin Court of Appeal.	N/A	Montenegro; Serbia; Slovenia
16-Feb	Clifford Chance	Clifford Chance advised a fund managed by CBRE Global Investors on the sale of companies that are the owners of Trinity Office Park II and Prosta Office Centre office buildings in Warsaw.	N/A	Poland
17-Feb	Soltysinski Kawecki & Szlezak	Soltysinski Kawecki & Szlezak has advised America's Mohawk Industries Inc. in a transaction involving the takeover of Polcolorit S.A.	N/A	Poland
22-Feb	Greenberg Traurig; White & Case	White & Case advised Mid Europa Partners on the sale of Zabka Polska to funds advised by CVC Capital Partners. Greenberg Traurig advised CVC Capital on the deal, which it the largest ever transaction in the Polish food retail sector and the largest ever private equity exit in Poland.	N/A	Poland
27-Feb	Domanski Zakrzewski Palinka	DZP advised GSK Services sp. z o.o. on its successful bid to submit anti-pneumococcal vaccines to the Polish Ministry of Health, and its successful defense of its selection after a challenge from second place finisher PGF Urtica sp. z o.o.	N/A	Poland
27-Feb	Clifford Chance; CMS	CMS advised Integer.pl in the process of finding an investor – private equity fund Advent International through AI Prime – and its planned exit from the stock exchange. Clifford Chance signed Advent International on the deal.	PLN 670 million	Poland
28-Feb	Chajec, Don-Siemion & Zyto; Punda Lyszczarek I Wspolnicy	Chajec, Don-Siemion & Zyto advised the Equitin Partners Limited private equity fund on its acquisition of the 70% controlling stake in Time for Wax, a Polish beauty services chain. The sellers, Time for Wax's founders, were advised by Punda Lyszczarek i Wspolnicy.	N/A	Poland
1-Mar	Traple Konarski Podrecki I Wspolnicy	Traple Konarski Podrecki i Wspolnicy successfully represented the Polish Filmmakers Association in a matter before the Court of Justice of the European Union.	N/A	Poland
2-Mar	BSWW Legal & Tax	BSWW advised the Buma Group on its lease of 8000 square meters in the DOT Office Complex, one of its investment projects in Krakow, to Ericsson, which intends to move its seat there.	N/A	Poland
6-Mar	CMS	CMS advised Invesco Real Estate on its purchase of Wawel Holding Sp z o.o., the company owning the Sheraton Grand Krakow Hotel, from Algonquin. DZP advised Algonquin.	EUR 70 million	Poland
13-Mar	CMS; DLA Piper; Hogan Lovells; Norton Rose Fulbright	Hogan Lovells advised Arcus Infrastructure Partners on the acquisition of an 85% stake in the Gdansk Transport Company S.A., a special purpose company set up in 1996 to pursue the DBFMO project for the northern section of the AmberOne A1 motorway concession in Poland. The acquisition was a multi-step transaction, involving Arcus's acquisition of NDI Autostrada sp. z o.o. (NDIA), which owns a 25.31% stake in GTC, from Grupa NDI and Transport Infrastructure Investment Company (TIIC). As part of the acquisition, NDIA also exercised its right of first refusal on A1 Invest AB Skanska's 30% stake and on John Laing Infrastructure Limited's 29.7% interest in GTC. Norton Rose Fulbright advised Grupa NDI and TIIC, CMS advised John Liang, and DLA Piper advised Skanska.	N/A	Poland
9-Feb	Nestor Nestor Diculescu Kingston Petersen	NNDKP successfully represented a joint venture formed of three Spanish and French companies – FCC Construccion S.A., Aqualia Intech S.A., and Suez International S.A. – in a dispute over the awarding of a public procurement contract related to the extension of the Glina Waste Water Treatment Plant and the construction of a sludge incinerator organized by Bucharest Municipality.	N/A	Romania
10-Feb	Musat & Asociatii	Musat & Asociatii advised car component producer Mecaplast on a brownfield investment in Romania.	EUR 10 million	Romania
21-Feb	BPV	BPV Grigorescu Stefanica advised Zitec on the acquisition of a significant minority stake in the company by Dante International, the Naspers-owned company operating the largest Romanian e-commerce website.	N/A	Romania

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
23-Feb	Zamifirescu Racoti & Partners	Zamfirescu Racoti & Partners obtained a new final arbitration award from the International Chamber of Commerce Paris partially accepting the counterclaim made by the management company for state-owned stakes in the Societatea de Administrare a Participatiilor in Energie (SAPE) energy companies against E.ON Romania S.R.L. (E.ON). As a result of the ruling, E.ON is obliged to pay the amount of RON 4,070,948 (approximately EUR 901,000) plus interest to SAPE in compensation for infringing the minority shareholder's rights in its distribution of dividends.	EUR 901,000	Romania
10-Feb	Berwin Leighton Paisner; Herbert Smith	Berwin Leighton Paisner advised Gett, the global on-demand mobility company, on its USD 100 million financing from Sberbank, the largest lender in Russia. Herbert Smith Freehills reportedly advised Sberbank.	USD 100 million	Russia
15-Feb	Akin Gump; Park Energy Law	Akin Gump advised PJSC Lukoil on the acquisition by Renaissance Oil Corp. of an indirect 25% interest in the Integrated Exploration and Production Contract for the 230 square kilometer (56,800 acres) Amatitlan block near Poza Rica, Veracruz, Mexico. Park Energy Law advised Renaissance Oil on the deal.	N/A	Russia
15-Feb	Weil Gotshal & Manges	Weil reported that its lawyers had secured asylum for a Russian pro bono client on the grounds that he suffered past persecution on account of his sexual orientation and had a well-founded fear of future persecution if required to return to Russia.	N/A	Russia
17-Feb	Freshfields Bruckhaus Deringer	Freshfields Bruckhaus Deringer advised PAO Severstal on its USD 250 million issuance of senior unsecured guaranteed convertible bonds, due 2022. The transaction is the first-ever Russian bond issuance, and one of the first emerging-market bond issuances to achieve zero-coupon pricing.	USD 250 million	Russia
20-Feb	Linklaters; White & Case	White & Case advised PJSC Detsky Mir, Russia's largest children's goods retailer, as issuer, and PJSFC Sistema, as selling shareholder, on the RUB 21.1 billion IPO of up to 33.55 percent of Detsky Mir's ordinary shares on the Moscow Exchange. Credit Suisse, Goldman Sachs International, and Morgan Stanley are acting as Joint Global Coordinators and Joint Bookrunners, with Sberbank CIB and UBS Investment Bank also acting as Joint Bookrunners. The banks were represented by Linklaters.	USD 360 million	Russia
21-Feb	Debevoise & Plimpton; Hogan Lovells	Debevoise advised NLMK and its U.S. subsidiaries on a USD 250 million revolving ABL facility to refinance existing indebtedness. Hogan Lovells advised sole coordinator and bookrunner and mandated lead arranger Bank of America Merrill Lynch International, as well as mandated lead arrangers JPMorgan Chase Bank and Citibank. Bank of America was appointed as facility agent, collateral agent, and issuing bank.	USD 250 million	Russia
23-Feb	Goltsblat BLP	Goltsblat BLP advised ICBC International Leasing on the delivery of six Airbus A321-211 aircraft to Aeroflot.	N/A	Russia
23-Feb	Latham & Watkins; White & Case	White & Case advised Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc, VTB Capital plc, and Aton LLC as Joint Bookrunners on the RUB 10,416.7 million secondary public offering of 138,888,888 existing ordinary shares in PAO 'TMK', a leading global manufacturer and supplier of tubular products for the oil and gas industry. Latham advised PAO 'TMK'.	USD 175 million	Russia
27-Feb	Debevoise & Plimpton	Debevoise & Plimpton advised Universal Cargo Logistics Holding (UCL Holding) in the division of the shipbuilding and shipping business of Volgo-Balt Transport Holding (VBTH) with its minority shareholders, whereby the Vodokhod group – the river cruise business of VBTH – was taken over by the minority shareholders and UCL Holding consolidated 100% of VBTH, which retained control of all of the shipbuilding and water cargo transportation assets.	N/A	Russia
1-Mar	Lidings	Lidings advised the Defi Group S.A.S. on matters related to the dismissal of the General Director of its Russian subsidiary and its appointment of a new General Director.	N/A	Russia
1-Mar	Capital Legal Services	Capital Legal Services advised ADG Group on the engagement of the Lenta hypermarket chain as an anchor tenant for 36 of its 39 district shopping and entertainment centers.	N/A	Russia
13-Mar	Herbert Smith Freehills; Linklaters	Linklaters advised VTB Capital, Renaissance Capital, and CLSA Ltd. as placing and settlement agents on the sale by Onexim Holdings Ltd of an approximately 3% stake in UC Rusal. Herbert Smith Freehills advised Onexim Holdings on the deal.	N/A	Russia
9-Feb	Gestors	Gestors signed an agreement with GAO Chernomorneftegaz "on legal services regarding the return of the ship Titan-2."	N/A	Russia; Ukraine
21-Feb	Bojanovic & Partners	Bojanovic & Partners assisted Trigano, a manufacturer of trailers, semi-trailers, and camping cars, in its acquisition of the assets of the Serbian company Zastava Inpro.	N/A	Serbia
21-Feb	Bojanovic & Partners	Bojovic & Partners advised the Poseidon Group on the development of Capitol Park Rakovica, Belgrade's largest retail park.	N/A	Serbia
22-Feb	Bojanovic & Partners; ODI Law	Bojanovic & Partners advised King Engine Bearings group, a manufacturer of engine bearings for automobiles, trucks, and marine and aviation vehicles, on its acquisition, through its Serbian subsidiary Sinterfuse d.o.o., of the assets of Serbian joint stock company Sinter a.d. u likvidaciji. ODI Law advised the sellers.	N/A	Serbia
3-Mar	Zivkovic Samardzic	After an application brought by Zivkovic Samardzic on behalf of Serbia's Prva television network the Commercial Court in Belgrade granted an interim injunction against the Pink International Company, the parent company of the Pink TV network in Serbia and a member of the regional Pink Media Group.	N/A	Serbia
6-Mar	BDK Advokati; Dentons; Linklaters; Schoenherr	BDK Advokati and Dentons advised Expobank CZ A.S. on the acquisition of 100% of shares in Marfin Bank A.D. Beograd from Cyprus Popular Bank Public Co Ltd. Moravcevic Vojnovic i Partneri in cooperation with Schoenherr, working alongside Linklaters, advised the sellers on the restructuring of receivables against Marfin Bank which facilitated the sale.	N/A	Serbia
13-Mar	Stankovic and Partners	Acting pro bono, Stankovic and Partners advised the Japanese Business Alliance in Serbia – a collection of Japanese companies active on the Serbian market in Serbia – on the group's creation.	N/A	Serbia
20-Feb	Bojanovic & Partners	Bojanovic & Partners succesfully represented Nikola Mikic, a former captain of the Red Star Belgrade football club, in an arbitration against the Turkish football club Manisaspor Kulubu Dernegi.	N/A	Serbia; Turkey
15-Feb	Glatzova & Co.	Glatzova & Co. represented TFS RT, INC. in the restructuring proceedings of its business partner.	N/A	Slovakia

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
24-Feb	BPV; Ruzicka Csekes	BPV Braun Partners advised Raiffeisenlandesbank Niederoesterreich-Wien AG in extending a credit facility of EUR 32 million for the development of the new Einsteinova business center in Bratislava. Ruzicka Csekes advised the borrowers: Austrian real estate company S Immo AG and local partners KRON Real s.r.o. and SJP Invest, s. r. o..	N/A	Slovakia
2-Mar	Wilsons; Zarecky Zeman	Wilsons acted on behalf of Reico Investicni Spolecnost Ceske Sporitelny in connection with its acquisition of the Park One office building in the center of Bratislava – the Amazon Headquarters – from the Falcon II Fund private investment company. The Zarecky Zeman firm advised the sellers.	EUR 35.5 million	Slovakia
24-Feb	Ismen Law Firm; Paksoy	Paksoy advised Coventya – a Fund II portfolio company of European private equity firm Silverfleet Capital – on its acquisition of an 80.6% interest in Borsa Istanbul-listed Politeknik Metal Sanayi ve Ticaret A.S from private individuals Atila Yaman, Mesut Akkaya, Nilgun Yaman, Melisa Bahar Akkaya, and Filiz Akkaya. The Ismen Law Firm advised the sellers.	EUR 18 million	Turkey
3-Mar	Herguner Bilgen Ozeke; Paksoy	Paksoy advised Migros on its acquisition of Tesco Kipa from Tesco Overseas Investments Limited. The share purchase agreement was signed on June 10, 2016, and the deal closed in Izmir on March 1, 2017, following clearance from the Turkish Competition Authority. Herguner Bilgen Ozeke advised the sellers on the deal.	N/A	Turkey
13-Mar	Selvi & Ertekin; White & Case	White & Case advised GAMA Holding on an amendment of the partnership structure to transfer a 20 percent share of the company to Evren Unver. The Selvi & Ertekin Avukatlik Ortakligi firm advised Unver on the deal.	N/A	Turkey
9-Feb	Vasil Kisil and Partners	Vasil Kisil and Partners successfully represented Lviv Polytechnic National University as a third party in a complex dispute involving an insolvent bank before the Supreme Court of Ukraine.	N/A	Ukraine
10-Feb	Avellum; Gleiss Lutz	Avellum acted as Ukrainian legal counsel to Deutsche Beteiligungs AG in connection with the EUR 5.9 million investment in Dieter Braun GmbH. Gleiss Lutz was global counsel to Deutsche Beteiligungs.	EUR 5.9 million	Ukraine
14-Feb	Sayenko Kharenko	Sayenko Kharenko successfully represented Reckitt Benckiser Household & Healthcare Ukraine in criminal proceedings and on the forcible return of the company's foreign executives and potential application of special sanctions against the company.	N/A	Ukraine
16-Feb	Aequo	Aequo advised the Epicentr Group on its acquisition of shopping malls in the Ukrainian cities of Lviv, Bucha, and Boryspil with a total area of more than 40,000 square meters.	N/A	Ukraine
17-Feb	Egorov Puginsky Afanasiev & Partners	Egorov Puginsky Afanasiev & Partners provided pro bono legal advice to the Ukrainian Ministry of Justice regarding the implementation of a pilot public-private partnership project involving the construction of a new pre-trial detention facility in Kyiv and and a hospital in Lviv.	N/A	Ukraine
17-Feb	Asters	Asters provided legal advice to the HiPP Group in obtaining merger clearance from the Ukrainian competition authority for its acquisition of the MIG milk formula plant (in Herford, Germany), which was previously jointly controlled by the HiPP Group and DMK Group.	N/A	Ukraine
24-Feb	Avellum; Norton Rose Fulbright; Zaid Ibrahim & Co	Avellum acted as Ukrainian legal counsel to ING Bank N.V. in connection with loan facilities provided by ING Bank N.V. to Alfa Trading Limited, the affiliated company of a multinational agribusiness group. Norton Rose Fulbright advised ING Bank N.V. as to English law and Singapore law, and Zaid Ibrahim & Co advised ING Bank N.V. as to Malaysian law.	N/A	Ukraine
24-Feb	Asters	Asters advised Aspen Pharmacare Holdings Limited on its successful application for merger clearance from the Ukrainian competition authority for the purchase of GlaxoSmithKline plc's anesthesia portfolio.	N/A	Ukraine
27-Feb	Aequo	Aequo successfully defended the interests of Oysho, a member of Inditex, the world's biggest fashion group, in a tax dispute before the Kyiv Administrative Court of Appeal.	N/A	Ukraine
28-Feb	Sayenko Kharenko	Sayenko Kharenko advised a private investor from Kazakhstan, Arif Babayev, on his acquisition of a controlling shareholding in PJSC "Region-Bank". The deal closed in January 2017.	N/A	Ukraine
2-Mar	Ilyashev & Partners	Ilyashev & Partners represented the interests of the Ukrainian DIY hypermarket network Epicentr K in its revision of safeguard measures concerning the import into Ukraine of china tableware and flatware.	N/A	Ukraine
2-Mar	Sayenko Kharenko	Sayenko Kharenko acted as Ukrainian legal counsel to Citibank, N.A., London Branch and Deutsche Bank AG, London Branch as mandated lead arrangers and original lenders on a EUR 478,285,000 facility to PJSC "National Joint-Stock Company Naftogaz of Ukraine." The financing is guaranteed by the International Bank for Reconstruction and Development and has the benefit of a sovereign guarantee in the form of indemnity provided by Ukraine to the IBRD.	EUR 478.28 million	Ukraine
3-Mar	Baker McKenzie	Baker McKenzie's Kyiv office was selected as a legal partner of the Health Care Committee of the European Business Association for 2017.	N/A	Ukraine
3-Mar	Asters	Asters advised the EBRD on its USD 3 million financing to Ecosoft, Ukraine's leading producer of water purification equipment.	USD 3 million	Ukraine
6-Mar	Doubinsky & Osharova	Doubinsky & Osharova obtained well-known status of the "Jack Daniel's" trademarks for client Jack Daniel's Properties Inc.	N/A	Ukraine
7-Mar	Asters	Asters advised ED&F Man on the issuance for the company of a UAH 195 million customs guarantee by Ukrgasbank in favor of the State Fiscal Service of Ukraine.	UAH 195 million	Ukraine
10-Mar	Aequo	Aequo successfully defended the interests of Zara in a tax dispute before the Kyiv Administrative Court of Appeal.	N/A	Ukraine
13-Mar	Sayenko Kharenko	Sayenko Kharenko secured clearance from the Antimonopoly Committee of Ukraine for the introduction of a new direct claims settlement agreement between the Motor (Transport) Insurance Bureau of Ukraine and its insurer members.	N/A	Ukraine

Full information available at: www.ceelegalmatters.com

Period Covered: February 9 - March 14, 2017

ON THE MOVE: NEW HOMES AND FRIENDS

Chadbourne & Parke Merges with Norton Rose Fulbright

Norton Rose Fulbright and Chadbourne & Parke have announced that they will combine in the second quarter of 2017 and will operate going forward under the Norton Rose Fulbright name. The combined firm reports more than 4,000 lawyers in 58 offices across 32 countries.

According to a joint statement released by the firms, "the combination significantly strengthens both firms' client offerings and practice capabilities, particularly in the areas of energy and infrastructure, banking and corporate finance, project finance, bankruptcy and financial restructuring, litigation, dispute resolution, and regulatory law."

In that statement, Peter Martyr, Norton Rose Fulbright's Global Chief Executive, commented that: "We are delighted to unite Norton Rose Fulbright with Chadbourne & Parke to create a global law firm that few can match. Chadbourne has a proud history, and is known for its world-class practices in energy, infrastructure, banking, and finance. Joining forces with our new colleagues, we can offer our clients significant new capabilities in New York and Washington, DC. We will benefit from new offices in Mexico City, Sao Paulo, and Istanbul, and we will be able to offer our clients expanded capabilities in London, Dubai, Latin America, and other key markets."

Andrew Giaccia, Chadbourne & Parke's Managing Partner, added: "Coming together will give us the ultimate advantage of offering superior legal service in virtually all of the world's key business and financial centers. Our firms share a strategic vision and client focus, and we have highly complementary practice and industry strengths. Following the combination, our global offerings will be virtually unrivaled in many areas, from energy and infrastructure to finance, bankruptcy and restructuring, litigation, and regulatory work."

In CEE, Chadbourne & Parke has offices in Turkey and Russia, though it withdrew in 2014 from Ukraine and last year from Poland. Norton Rose Fulbright, which closed its Czech office (for the second time) in the spring of 2014, still has CEE offices in Poland and Greece.

Begum Durukan Ozaydin Leaves Birsel to Start New Office

Former Birsel Managing Partner Begum Durukan Ozaydin has left that prominent Turkish firm to launch Durukan + Partners.

Ozaydin spent the past twenty years at Birsel – the past ten as Partner. For the past six and a half years she managed the day-to-day activities of the firm, working alongside Founding Partner Mahmut Birsel. She reports that, "as a partner having managerial responsibilities and supervision over almost all the work conducted in the firm, and having spent so many years there, it was a bit difficult for me to make the decision [to leave the firm], but finally, I moved on."

At Durukan + Partners Ozaydin is joined by two full-time Senior Associates and two Litigation Specialists. In addition, Ozaydin reports, the Durukan + Partners partnership will double in size soon with the expected addition of another partner whose identity at this point is a closely guarded secret.

According to Ozaydin, "I was fortunate enough to have enjoyed the rewarding confidence of ... clients who followed and worked with me even when my destination after Birsel was not yet certain. Our enthusiasm and ambition are strengthened with the increasing cooperation by more clients with our extended team. I am hopeful that all the experience and expertise coupled with the heavy responsibilities and managerial involvement I have undertaken at Birsel, supported by the extended team, will yield a successful business."

Heidemarie Paulitsch Opens New Commercial Criminal Law Boutique in Vienna

Former Schoenherr Counsel and Austrian White Collar Crime specialist Heidemarie Paulitsch has announced the founding of her own commercial criminal law boutique in Vienna. Paulitsch "represents individuals and advises companies on their internal processes and in case of governmental investigations and leads national and international compliance projects."

Paulitsch began her criminal law career with Austrian defense lawyer Professor Richard Soyer, then practiced at Wolf Theiss before moving to Schoenherr, where she spent the past seven years and established the firm's Compliance and White Collar Crime practice group.

"Today more than ever, companies and managers are the focus of the public prosecutor's office," said Paulitsch, in a statement released by her new firm. "Liabilities can cost a company its existence. To avoid that, effective criminal law advice is essential."

Axon Partners Opens Lviv Office

Axon Partners has opened an office in the Ukrainian city of Lviv staffed by lawyers Yura Kornaga, Orest Gavryliak, and Lida Klymkiv. According to a statement released by the firm, "it's safe to say that Axon Partners' Lviv branch can be already listed in TOP-50 of Lviv law firms, as per quantity of lawyers."

Axon Partners CEO Dima Gadomsky commented: "First, I'll answer the most frequently asked question: yes, our Lviv office is also located in a co-working space; it is iHUB Lviv, on Zamknena street. It is the place where we will arrange our free legal advice hours for tech startups every Friday, like we usually do in Kyiv. For the last few years Lviv has been our second home: almost every week our lawyers have court hearings there, got meetings with our clients, participate in discussions of THE Lviv IT cluster legal committee, or conduct lectures at UCU. But we all know that those are simply excuses, while we have been tempted by Lviv's special culture, coffee, and jazz music."

Lavrynovych & Partners Launches Private Clients Practice

Ukraine's Lavrnovych & Partners has announced the creation and launch of a new Private Clients Practice led by Oleksander Onufrienko, whom the firm describes as "one of the most experienced Ukrainian consultants on structuring and private assets management." The firm's intention is to "provide a full range of legal registration of private capital for successful entrepreneurs and owners of family businesses and other private clients

Kirm Perpar Joins SELA

Slovenian firm Kirm Perpar has joined the South East Legal Alliance (SELA). In addition to Slovenia, SELA has members in Macedonia (Apostolska & Aleksandrovski), Serbia/Montenegro (Bojovic & Partner), Bosnia & Herzegovina (Dimitrijevic & Partners), and Croatia (Zuric i Partner).

PARTNER MOVES

Date Covered	Name	Practice(s)	Firm	Moving From	Country
2-Mar	Heidemarie Paulitsch	White Collar Crime	Paulitsch Law	Schoenherr	Austria
2-Mar	Zdenek Strnad	Infrastructure	CEE Attorneys	Solil, Linke, Richtr & Spol	Czech Republic
7-Mar	Zita Albert	Corporate/M&A	Schoenherr	Dentons	Hungary
9-Mar	Ildiko Csak	Labor	Dentons	N/A	Hungary
16-Mar	Andreas Koehler	Corporate/M&A	CMS	Dentons	Hungary
16-Feb	Georgiana Badescu	Competition	Schoenherr	Voicu & Filipescu	Romania
14-Mar	Monica Iancu	Energy	Bondoc si Asociatii	PeliFilip	Romania
15-Feb	Vatslav Makarskiy	Competition	Integrites	Goltsblat BLP	Russia
13-Mar	Jovan Rajkovic	TMT	Gecic Law (Partner)	Pink Media Group	Serbia
12-Mar	Maja Zgajnar	Real Estate; Banking/Finance	DLA Piper	Schoenherr	Slovenia
12-Mar	Dunja Jandl	Real Estate; Banking/Finance	DLA Piper	Schoenherr	Slovenia
17-Feb	Cem Cagatay Orak	Energy	Cakmak Attorney Partnership	N/A	Turkey
21-Feb	Begum Durukan Ozaydin	Banking/Finance	Durukan + Partners	Birsel	Turkey

SENIOR APPOINTMENTS

Date Covered	Name	Practice(s)	Appointed To	Firm	Country
1-Mar	Christian Ritschka	Corporate/M&A	Partner	Dorda	Austria
13-Mar	Dieter Zandler	Competition	Partner	CMS	Austria
16-Mar	Karin Buzanich-Sommeregger	Labor	Partner	Freshfields Bruckhaus Deringer	Austria
1-Mar	Panagiotis Pothos	Tax	Equity Partner	KG Law	Greece
1-Mar	Evangelia Dimitropoulou	Energy	Salaried Partner	KG Law	Greece
14-Mar	Attila Kovacs	Energy	Partner	BPV (Jadi Nemeth)	Hungary
16-Feb	Monika Kriunaite	Banking/Finance; Capital Markets	Head of Banking, Finance & Capital Markets	CEE Attorneys	Lithuania
17-Feb	Felix Tapai	Tax	Partner	Maravela & Asociatii	Romania
1-Mar	Marius Ezer	Dispute Resolution	Partner	Nestor Nestor Diculescu Kingston Petersen	Romania
1-Mar	Daniela Gramaticescu	Dispute Resolution	Partner	Nestor Nestor Diculescu Kingston Petersen	Romania
1-Mar	Valeriu Mina	Dispute Resolution	Partner	Nestor Nestor Diculescu Kingston Petersen	Romania
1-Mar	Oana Partenie	Dispute Resolution	Partner	Nestor Nestor Diculescu Kingston Petersen	Romania
1-Mar	Catalin Radbata	Dispute Resolution	Partner	Nestor Nestor Diculescu Kingston Petersen	Romania
1-Mar	Vlad Tanase	Real Estate	Partner	Nestor Nestor Diculescu Kingston Petersen	Romania
15-Mar	Dana Radulescu	Insolvency/Restructuring	Partner	Maravela & Asociatii	Romania
16-Mar	Vlad Cordea	Energy	Partner	Musat & Asociatii	Romania
16-Mar	Bogdan Mihai	TMT/IP	Partner	Musat & Asociatii	Romania
16-Mar	Bogdan Riti	Corporate/M&A	Partner	Musat & Asociatii	Romania
16-Mar	Liviu Togan	White Collar Crime	Partner	Musat & Asociatii	Romania
6-Mar	Ragnar Johannesen	Banking/Finance	Partner	Latham & Watkins	Russia
17-Mar	German Zakharov	Competition	Partner	Alrud	Russia
15-Feb	Lidija Pejcinovic	Labor	Partner	Jankovic Popovic Mitic	Serbia
7-Mar	Lukas Michalik	Corporate/M&A; Banking/Finance	Partner	Hamala Kluch Viglasky	Slovakia
17-Feb	Ozlem Kizil Voyvoda	Energy; Infrastructure	Partner	Cakmak Attorney Partnership	Turkey
17-Feb	Naz Bandik Hatipoglu	Corporate/M&A	Partner	Cakmak Attorney Partnership	Turkey
3-Mar	Illya Sverdlov	Tax	Head of Tax	DLA Piper	Ukraine
7-Mar	Oleksander Onufrienko	Private Equity	Head of Private Clients Practice	Lavrnovych & Partners	Ukraine
14-Mar	Oleksandr Ruzhytskyi	Litigation/Dispute Resolution	Partner	Everlegal	Ukraine

Full information available at: www.ceelegalmatters.com

Period Covered: February 9 - March 15, 2017

OTHER APPOINTMENTS

Date Covered	Name	Company/Firm	Moving From	Country
2-Mar	George Dimitrov	Dimitrov, Petrov & Co.	Supreme Bar Council	Bulgaria
3-Mar	Triinu Hiob	Njord	Republic of Estonia, ICSID Panel of Arbitrators.	Estonia
14-Mar	Peter Garancsi	BPV (Jadi Nemeth)	Office Leading Partner	Hungary
1-Mar	Filip Blagojevic	Bojanovic & Partners	Court of Arbitration of the Football Federation of Serbia	Serbia
15-Mar	Oleksandr Nagorny	Sayenko Kharenko	Deputy Chairman of the Antimonopoly Committee of Ukraine	Ukraine
15-Mar	Mykola Stetsenko	Avellum	Public Council at the Committee's constituent	Ukraine
15-Mar	Vladimir Sayenko	Sayenko Kharenko	Public Council at the Committee's constituent	Ukraine

Joint UNCITRAL-LAC Conference on Dispute Settlement

We are delighted to invite you to Ljubljana for the **Joint UNCITRAL-LAC Conference on Dispute Settlement**. The conference is organized jointly by UNCITRAL and the Ljubljana Arbitration Centre (LAC) and will take place at the Slovenian Chamber of Commerce and Industry on Tuesday, **4 April 2017**.

We are looking forward to welcoming some of the most renowned speakers from the field as well as connecting participants from around the world in particular arbitrators, lawyers representing parties in arbitrations, in-house counsels, state officials and globally operating businesses.

The conference will focus on:

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AT THE CHAMBER OF COMMERCE AND INDUSTRY OF SLOVENIA

WHEN:
4 April 2017

WHERE:
Chamber of Commerce and Industry of Slovenia,
Dimičeva 13, Ljubljana, Slovenia

WHO:
Arbitrators, lawyers representing parties in arbitrations, in-house counsels, state officials and globally operating businesses.

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THE BUZZ

In "The Buzz" we interview experts on the legal industry living and working in Central and Eastern Europe to find out what's happening in the region and what legislative/professional/cultural trends and developments they're following closely. Because the interviews are carried out and published on the CEE Legal Matters website on a rolling basis, we've marked the dates on which the interviews were originally published.

TURKEY (FEBRUARY 13)

Frustrating Times by the Bosphorus

Zeynep Cakmak, the Managing Partner of Turkey's Cakmak-Gokce Avukatlik Burosu, sighs when she's asked if there have been any important developments in Turkey in recent months. "I would hope the answer is no," she says, "but it's yes. There are so many hot topics in Turkey at the moment."

"The first," Cakmak says, "is the impact on business of all the terrorist attacks – with the January 1st attack at the Reina nightclub in Istanbul which killed dozens of people being the most recent and dramatic – with people not wanting to come to Turkey." Cakmak reports that almost all meetings with foreign clients are being held outside of Turkey now due to a general reluctance to visit the country. "This is not contributing to investment," she says, reporting hyper-caution across the board.

"The economy, in parallel, is not going in the right direction," according to Cakmak. The exchange rate got very close to 4 lira to the dollar before backing off a bit the past few weeks, she reports, calling that "very high." According to Cakmak, "this has an inevitable impact on foreign denominated loans and intra-bank loans." Interest rates remain low, she says, despite pressure to raise them. According to Cakmak, this presents "a real dilemma," as raising them risks turning off potential borrowers, while keeping them artificially low in these circumstances brings consequences of its own.

In addition, Cakmak reports, the major rating agencies, Fitch, S&P, and Moody's have downgraded Turkey's credit ratings over the last four months.

Finally, she says, the planned Constitutional Reform is a source of some controversy as well, as on February 10 President Erdogan signed a constitutional reform bill passed by Turkey's parliament approving a new constitution to create an executive presidency. The changes would enable the president to issue decrees, declare emergency rule, appoint Presidential secretaries to replace ministers and top state officials, and dissolve parliament – amendments that opposition parties say strip away balances to the president's current powers. A referendum on the bill is tentatively planned for April 16. Cakmak says she's not sure how it will affect investment, as some believe it will reassure foreign

investors of the country's stability, while others are concerned it will do just the opposite.

The unfortunate effects of this turmoil on the commercial law firm market, Cakmak reports, are inescapable. She reports seeing firms across the market pursue "two types of strategies to align themselves with the market: One is layoffs and one is adjusting salaries." These steps "are not just about cost-cutting," she says, "but an attempt to regain control of a fluid situation." Both have already started, she reports, and it's a difficult time for lawyers to find new jobs. On the other hand, she notes, this represents the beginning of a new era for the law firms; those who manage the situation well now will gain a very good position in the future when things start picking up again.

Cakmak insists not all is gloomy, of course. "I don't want to sound too pessimistic," she says. "Turkey is still a dynamic market, and the foreigners who come here still say it's like nothing has happened. Life goes on, people are still trying to do business, major projects are not put on hold, government is applying measures to keep the momentum of the economy and the investment environment, and thus people still have hope." The country's turbulent history provides grounds for optimism, she believes. "Because we're used to it – we're immune to the shock." Indeed, she says, "some new businesses are coming in, and there's Project Finance work, some interest in Renewables, and PPP/Infrastructure projects in the pipeline."

"It's not like things have stopped. No one gives up" Cakmak concludes. "This is the unique character of this country, which is also the source of its power."

GREECE (FEBRUARY 15)

The Light at the End of the Tunnel?

Elisabeth Eleftheriades, M&A and Project Finance Partner at the Kyriakides Georgopoulos Law Firm in Athens, can hardly contain her enthusiasm about developments in the Greek legal market.

"I'm in the pleasant situation of not having to complain nearly as much as even three months ago," she says. "Personally speaking, and from the firm's perspective, things are looking much impressively better. Work seems to be pouring in, in terms of RFPs, and projects are ongoing that had been frozen due to the complexity of the market for the past three years." As a result, she smiles, "we're very busy – more than in some time."

Last year, Eleftheriades reports, activity was effectively halted by a massive strike across the legal industry in response to the announcement that, to conform with the Troika's demands, a new social security regime for freelancers like lawyers and engineers that would increase the cap on social security contributions per year from EUR 5000 to EUR 80,000 would be put into effect on January 1 of this year. Thousands of lawyers put down their pens to join the strike for the first nine months of 2016, putting almost all disputes on hold and slowing down dramatically what had already been a slow market in terms of volume of work and fee compression.

Ultimately, Eleftheriades reports, lawyers began to accept the inevitable and recognize that, in her words, the strike was "killing the profession." So, she says, "in October of 2016 things began to pick up again, with litigation lawyers returning to work and some level of normalcy being restored."

As a result of the new regime, which came into effect on January 1 as promised, many solo practitioners and smaller firms closed up shops and started looking for positions in larger law firms. Eleftheriades believes that "this is going to be a driver for consolidation of law firms." She explains: "It was a saturated and very fragmented legal market – lots of Mom & Pop firms, not really partnerships. Up to a certain point it made economic sense, but the new measures are a blow to solo practitioners … the bright side is that it will attract talent from the smaller firms to the bigger ones." Indeed, she says, "we've already seen it with junior lawyers. We had trouble recruiting junior lawyers in the past – especially male junior lawyers, many of whom preferred the independence of solo practice – but now we're seeing much more talent gravitating to the big firms. It remains to be seen what the long-term effect will be, but so far we have seen the change, and we think it's going to be good for bigger, better organized firms – and for clients."

Movement in the market is also being generated by "the closing of the cycle for NPLs," which she calls "one of the big drivers." Long-awaited legislation has now come into force, and banks have finally started to clean up their portfolios. Eleftheriades says, "we have a lot of distressed assets in Greece, so this is a

real driver of economic movement." The banks, she says, "are now, finally, dealing with what can be saved and what not – what can be sold, with shareholders participating in the process. Distressed business has come to an end, with shareholders realizing they won't get any more credit unless things start to happen."

Banks are not yet starting to extend more credit, she says – that's the next step. "We're still in transition, but it seems we're at the end of the cycle of shock and coming to grips with what the reality actually means.

She returns to the big picture. "A corner is being turned. This is how I feel. I hope I don't look back in six months and scoff at my naiveté. But it feels like we have been going through a cycle of vicious creative destruction and now the cycle is turning. This is a slow and difficult process for everyone, but if we are to remain in this profession and try to see positive signals, then this is the only explanation that makes sense and can keep us going. "

Editor's Note: Ms. Eleftheriades has asked us to note that her comments reflect her personal views, and that her comments do not necessarily reflect the Kyriakides Georgopoulos Law Firm's position on these matters.

LATVIA (FEBRUARY 21)

Major Overhaul of Construction Law

"I would single out a couple of developments, first of all in Construction Law, which I do a lot of," begins Dace Silava-Tomsone, the Managing Partner of Cobalt in Riga, when asked about the Buzz in Latvia.

A couple of years ago the country enacted what Silava-Tomsone describes as a "major overhaul of the construction law" to make it more attractive to investors, but also in response to public outcry following the November 21, 2013 collapse of the roof of the Zolitude shopping center in Riga which killed 54 people. The resulting law was rushed into force a bit precipitously, Silava-Tomsone reports, "so it was impacted by post-tragedy emotions and political pressure, and ultimately the overhaul was not too successful. The construction process was supposed to become simpler and more efficient, but in fact it became even more cumbersome than before."

Several years of controversy and debate have followed about how it should be amended "to ensure that the processes work efficiently and with due regard to safety and sustainability, as well as to clarify what limits on liability exist for the various roles of persons involved in the process – authorities, developers, contractors, owners, etc." The new regulation has already undergone a number of cosmetic changes, but it is still far from satisfying all the market players. Amendments are being prepared and considered now, and Silava-Tomsone hopes it will reach the Parliament soon. "Investment into Latvian real estate lags behind our Baltic neighbors, and lack of a proper legal framework is one of the reasons. New initiatives aim to shorten the overall length of the construction process from permitting to the commissioning stage, introducing electronic processing of designs, etc. From a lawyer's perspective it's essential," she says, "to shift emphasis from control and supervision exercised by municipal and state institutions to straightforward liability provisions for various roles which would work as a self-balancing mechanism. So this is certainly a very welcome development."

Overall, Silava-Tomsone says, business is good in Latvia, as it has been for the past couple of years. She expects the trend to continue going forward as well. "There are always ups and downs, of course," she notes, pointing out that M&A in Q4 of 2016 was a bit slow, as was construction for the entire 2016, but the work that was in the pipeline then is starting to manifest itself, so "activity is increasing." She smiles. "Certainly our office is very busy both on the buyer's and the seller's side."

When asked about the ongoing consolidation of law firms in Latvia, most recently in the form of Ellex Klavins' merger with Glimstedt's Riga office, Silava-Tomsone is positive, calling it "certainly good for our market" after a "stagnant period for the last ten years, during which firms grew organically, which is not always the fastest way to reach the necessary size and the right practice mix to best serve clients." She believes that the mergers and pan-Baltic alliance re-groupings that followed her own firm's 2015 merger with Borenius in Latvia and Estonia – and its take-over of a sizable team from Borenius in Lithuania as well – demonstrate that "other firms see the wisdom of it," and that "the market has matured to the stage where it has become difficult to develop business any further unless some critical size is reached and strategic views of the partners are aligned." The process may not be over yet; Silava-Tomsone expects to see still more consolidation on the Latvian market within the next year.

"I still believe that we're at the stage that's good for clients," she says. "Firms in Latvia were too small, and not always able to offer full service and deep specialization across the board, so this process means that client service will be improved."

UKRAINE (FEBRUARY 24)

Significant Judicial and Legislative Reform

Olexander Martinenko, Partner at CMS in Kyiv, starts his summary of The Buzz in Ukraine by addressing the ongoing judicial reform in the country, noting that the system has returned to its traditional 3-tiered structure (courts of first instance, appellate courts, and Supreme Court) from the 4-tiered system that was installed by previous President Yanukovych shortly after his rise to power in 2010.

Martinenko explains that "the country is experiencing its first-ever public competition to fill vacant Supreme Court slots." The Ukrainian Supreme Court is required by law to review all Cassation complaints, Martinenko reports, explaining that it consists of a two-tiered structure, with separate chambers for separate matters (i.e., a Civil Cassation Court, Commercial Cassation Court, Criminal Cassation Court, Administrative Cassation Court, etc.) and a Grand Chamber for "ground-breaking decisions" to interpret legislation and create precedent ("although nobody refers to it as precedent"). Any and all who satisfy the necessary requirements have been invited to apply to the Judicial Commission, which is examining and evaluating candidates. This procedure is expected to result in 160 of the approximately 220 Supreme Court slots being filled, with the rest to come from "a second wave" in two years or so, after the effectiveness of this first stage has been reviewed and evaluated

A number of positions have already been filled, Martinenko says, and "we believe [the first process] will be completed by summer, and fully functional." Even in the interim, he says, the Court is "not inactive," and almost all the Cassation divisions are "working at full speed to the extent possible."

Otherwise, Martinenko's report focuses on significant legislative initiatives, and he refers to "several new laws that either have already been adopted or are being debated by the Ukrainian Parliament that will provide a more liberal regime for corporate activity in Ukraine."

He starts with a new law affecting companies with majority ownership in the hands of one shareholder. "Normally, in more developed jurisdictions," Martinenko says, "there are so-called 'squeeze-out' provisions. In Ukraine such provisions have been absent from the legislation. But a 'squeeze-out' law has been adopted by the Ukrainian Parliament in its initial reading." According to Martinenko, "they're still debating what the relevant threshold should be – whether it should be 95%, or 92% or 90% – but once they settle on that, they'll allow a majority shareholder who meets that threshold to squeeze out the minority shareholders, providing they pay fair market value for their shares."

The second significant piece of legislation, Martinenko says, is the establishment of shareholders' agreements, which he describes as "a very controversial issue in Ukraine." Martinenko notes that the Supreme Court had, in the past, ruled that Shareholders Agreements should be completely banned, as "in their minds all of the issues related to corporate activity should be regulated by Corporate legislation only." As a result, he explains, "people were using off-shore facilities for those purposes, like entering into shareholders' agreements at the level of their holding companies somewhere in Cyprus, in the UK, in the Netherlands, or elsewhere, in order to regulate their relations." Martinenko describes this as "a completely wrong approach," and he reports that "Parliament is now debating a new law on shareholders' agreements that will be specifically permitted and will become as regular a corporate instrument as in the United States or elsewhere."

In what Martinenko describes as "yet another ground-breaking move," the Ukrainian parliament has "gotten around to regulating debt-to-equity swaps." The previous rules, he explains, were a "very significant stumbling point, because they prevented to some extent normal business mechanisms from being applied in the financing part of corporate activity. In the West, for example, if I am a creditor and either because the debtor is unable to repay my loan and it is willing to proceed with a restructuring or if I am interested in receiving the debt in that company for a whole variety of other reasons, I can convert my debt into equity of the company." These exchanges have not been possible in Ukraine for "a whole variety of reasons, including tax reasons and regulatory reasons," Martinenko reports, but "this snag is being removed right now, so this essentially will become a normal marketing instrument going forward."

"One more interesting thing on the Corporate side," Martinenko says: "The government has decided to do something about state controlled companies in which the assets are owned by the companies but the shares are owned by the state. The government has now moved in the direction of opening them up, and in an initial step towards their privatization, they introduced the system of so-called 'supervisory boards,' which as a matter of law will be composed of state appointed and independently appointed directors so that they can control the activity of those state-owned or state-controlled companies to the fullest extent

possible."

Finally, Martinenko turns to a significant development in the labor/employment area. "The Parliament of Ukraine has significantly increased the national minimum wage," he reports, 'bringing it into line with the minimum essential standard of living. And employers will be fined if they bypass that requirement without labor contracts or by paying people in brown envelopes." Martinenko describes this as "a positive move, because it means our labor market will become more transparent and more civilized. It may have some repercussions because some people may be laid off because their employers will not be able to pay them their official salaries. However, for the ones that will be employed, they'll be employed on the basis of a normal, regular, civilized contracts and terms."

ROMANIA (FEBRUARY 27)

Ultimate Meaning of Street Protests

Marian Dinu, Country Managing Partner at DLA Piper Dinu SCA, starts his report of the Buzz in Romania on the subject of the widely reported protests in Bucharest and throughout the country at the end of January following the news that bills had been secretly approved by the Romanian government providing pardoning for certain crimes or corruption and amending the Penal Code of Romania (especially regarding the abuse of power).

"The protests were a fairly significant development," Dinu notes, "and they showed that there are certain principles people care about – that winning elections is not a license to do whatever you want." Still, he said, it's unfortunate how the entire episode happened. "There was an opportunity to discuss the full ramifications of the Abuse of Office offense, and a good debate could have been had, but the manner in which the Government acted foreclosed such a debate. Given what happened, the debate was expressed in simplistic terms – i.e., 'under the law it's ok to steal RON 200,000' – which is not what Abuse of Office was really about. Stealing is obviously a crime in its own right, already punishable separate from Abuse of Office." Instead, Dinu reports, Abuse of Office "is when there's a belief that an official acted against the law, but no evidence exists that a bribe was offered or demanded."

The debate that didn't happen, he says, "would have involved important questions of how to better define as a matter of law a crime that should exist in the Criminal Code as a deterrent for public officials to abuse their power, but at the same time it should not create an impression that it is so broadly defined that it can be wielded as an indiscriminate prosecutorial weapon."

"Instead, what we got was a debate about constitutionality, what is and is not a legitimate exercise of the government's ability to issue legal decrees, and so on. I believe that what happened in Romania is a helpful reminder as to what democracy is all about, in an era of rising populism throughout the world, where the ballot box is used to legitimize the ascent of illiberal policies."

However, Dinu says, "what is less helpful for the legal industry is that the protests may have eroded the reputation of Romania as a politically stable country, possibly effecting the opinion of foreign investors over the short term."

Turning from the protests, Dinu reports that from a business perspective, "the most concerning actions of the government were the quite unexpected changes they made to the taxation legislation – particularly the removal of the cap on the amount people and companies need to pay for social security and health contributions." He explains that "the government came in promising – in a manner that was hardly credible, in a sense – that they would increase salaries and benefits in the public sector without raising taxes. However, this latter pledge was promptly broken, because they altered the way that social security contributions and health insurance contributions are calculated. There was a cap for higher salaries – you only had to pay the percentage contribution equivalent up the level of five average salaries in the past, and now that cap has been removed. So now people earning more than five times the average salary in Romania have to pay a percentage on their entire earnings, which obviously increases the amount they and their employers pay, and decreases the amount they keep." According to Dinu, "the business environment has criticized the Government's action, saying it was not even announced as something they were going to do and then turned out to be among the first things they did."

Obviously, Government action is a controversial subject in Romania at the moment. Dinu describes "a bit more nationalistic leaning of the ruling party" in the country, though he notes that "this is not uncommon in the world right now." He laughs. "So I guess we are slowly gyrating in the same direction as most of the rest of the world."

Finally, on the subject of law firm business, Dinu reports that litigation and regulatory practices are active, but says that, in Bucharest, "the rest of practices could be more highly utilized." He's not sure why that's true, but he reports that "while we have a decent number of projects, there isn't an enormous amount of work out there at the moment, and there's a sense that it should be busier than it is." Dinu agrees that the Romanian economy itself "has been doing great," in recent times, "but the legal market is not really keeping pace – I don't necessarily see much buoyancy in the legal market at the moment. It is a good question whether the protests and the taxation issues discussed above have anything to do with it."

CROATIA (MARCH 1)

Wheels Starting to Move in Croatia

Luka Tadic-Colic, the Managing Partner of Wolf Theiss in Croatia, says the country is definitely moving in the right direction.

"Living in Croatia for so long, on the one hand you're hesitant when people talk reform, but when things actually start happening, even in little steps, it's a good sign." And, indeed, he says, following last September's election of the new government, "after a few initial hiccups, reforms have started." Tadic-Colic speaks approvingly of the country's new Minister of Economy, Martina Dalic (who also serves as the country's Deputy Prime Minister), and Zdravko Maric, the new Minister of Finance. "When there's a personal champion things can happen," he says, and while he says nobody believes they'll be able achieve 100% of what they propose, "if even 30-40% of it happens, that would be good."

So far, Tadic-Colic reports, "the most significant development" is a reform to the Tax Code enacted in December of 2016 just in time to come into effect on January 1st of this year, which resulted in "significant changes in the tax landscape and a lowering of some of the key rates, which in turn resulted in more disposable income and spurring the domestic demand side of the economy, which is a healthy development." This reform has been welcomed by the business community, Tadic-Colic reports, noting that while it's not as good or far-reaching as it could have been, "most would agree it's a step in the right direction, and that it will, if nothing else, improve the image of Croatia as a stable country."

Indeed, the government seems to be pursuing a number of initiatives to improve Croatia's reputation as a place to do business, Tadic-Colic reports. Additional changes are expected this year – from relatively minor (such as the abolition of the need for a company stamp on every document), to more significant, such as liberalizing markets such as driving schools – "and even the legal services market itself." On this latter note, he says, the "rather restrictive Croatian regime," which forbids law firm advertising, may be loosened somewhat. He cautions that the changes currently on the legislative agenda will need to be made in cooperation with the Bar Association, and that "nothing concrete or definite has been proposed so far," so it's not clear how much will actually happen. Still, as the country seeks to align itself more closely with the EU's Services Directive – which provides that marketing should generally be permitted unless legitimate reasons for restricting it exist – he's hopeful that "at some point the country will embrace this as a way of doing business." The Wolf Theiss Partner notes that "as a regional firm it's quite normal for us," and he reports that "even the local Croatian firms would welcome this."

Tadic-Colic hasn't seen a major uptick in law firm business yet, "but people are talking transactions." He notes that at the end of last year Croatia lost a major arbitration to MOL involving MOL's acquisition of a controlling share in the country's national oil company (Ina Industrije Nafte d.d.), which "spurred talks to re-nationalize the company." In a related story, Tadic-Colic reports that the new government is "also talking about doing an IPO of the country's national electricity company (HEP), floating approximately 25% of the company with the hope that it would be bought by Croatian pension funds or Croatian citizens and the proceeds would provide a source of cash to fund the repurchase of the oil company's shares." There's little certainty about when this is going to happen, Tadic-Colic reports, and there's some real opposition to the initiative. "I would think that the government would be inclined to do this sooner rather than later, but as it's a political issue, it will probably not happen before the local elections later this year."

Finally, Tadic-Colic says, "one of the recent legal developments welcomed by the legal community is the December 2016 reform of the public procurement process in the country, bringing it into closer alignment with EU legislation. Price is no longer defined as the sole criterion, as decisions are now to be made on the basis of the "most economically advantageous offer." This definition allows the country to factor in the qualifications and experience of bidders. The process was also significantly simplified as well.

MONTENEGRO (MARCH 2, 2017)

High Hopes for Upcoming Stability Stamp in Montenegro

"You know, Montenegro is a very small economy and easily affected by international developments," says Dragan Prelevic, the Managing Partner of the Prelevic Law Firm in Montenegro, in starting his report.

The country's main sectors are Real Estate, Tourism, and Energy, with a significant number of real estate customers and tourists traditionally coming from Russia, Ukraine, and the Middle East. As a result, according to Prelevic, "the economic downturn in Russia and Ukraine and the sanctions in Russia have had a significant effect on the Montenegrin market," and "the turmoil in Turkey has affected investment from that side as well."

"The overall economy is struggling too," he says, citing "a decrease in FDI and the rise of debt on the national level." In addition, he says, "interest rates remain pretty high, keeping in mind that we are not part of the EU."

However, the country's accession to the EU – it's currently on the top of the list of candidate states – and NATO (where membership is expected this year) are expected to be significant factors in the country's growth. Prelevic describes the country's movement towards both institutions as "the main political process from the country's independence in 2006." He notes, though, that the country's candidacy to both "has also raised significant internal opposition, including boycotts of parliament and an attempted coup and interference by pro-Russian parties." He emphasizes that this opposition is generally "low-key," with "no violence," but that nonetheless "it leads to hesitation from big EU and American investors."

Prelevic reports that the Montenegrin government is promising to produce several significant new laws in the next couple of months, including "the introduction of economic citizenship, as recently happened in Malta." Prelevic says that this law – which would provide citizenship to those who invest beyond a specified minimum in Montenegrin real estate – is expected "to boost investments and the sale of real estate in Montenegro, and the whole chain of the construction industry, which is very important for Montenegro." Prelevic says "the whole economy should benefit." The law has been expected for a long time, he reports, but "previous attempts to enact it have been stopped by the EU out of concerns about money-laundering and a general lack of transparency." The new version of the law, he says, should satisfy those concerns, and it is expected to pass muster.

In addition, he says, the country's construction and planning laws, as well as PPI, public procurements, and expropriation are expected to be liberalized, reducing the amount of red tape in each and supporting the interest of business.

Ultimately, however, Prelevic is confident about the direction Montenegro is moving. He notes that the country "has a very attractive tax system" with "single digit tax (except for VAT)," which makes it "very attractive to foreign investors." Also, infrastructure development and privatization remain on the top of the national agenda, attracting investors' attention.

He also notes that serious investors are awaiting the "stability stamp" of this year's expected accession to NATO. He says of the country's prospects: "It's exciting, it's vibrant. So many things are pending. And there's such huge potential, in commodities, agriculture, etc." He concludes with enthusiasm: "I'm really very optimistic about Montenegro."

SLOVENIA (MARCH 14, 2017)

Economy Picking Up and Unemployment Going Down

We can look at the current situation from the bright side in Slovenia," laughs Grega Peljhan of Slovenia's Rojs, Peljhan, Prelesnik & partnerji law firm. "We have Melania Trump and the world's best cook, Ana Ros!"

Turning serious, Peljhan says that "the economy is picking up, and unemployment is doing down – so we can look quite pos-

itively towards the future." Peljhan lays out just some of the encouraging developments: "A second wave of privatization is going on. The largest Slovenian bank, Nova Ljubljanska Banka, which is currently 100% state-owned, is going to an IPO this year, and the country's second largest bank will probably start the process this year as well. There are also some greenfield investments in the country: For instance, Magna International is building a new factory here, and Yaskawa Electric is building a new robotics factory." Peljhan describes these as "all good signs, meaning more work for us."

In addition, Peljhan says, "with the bank consolidation there's quite a bit of M&A work, and the NPL markets are quite active, as NPLs from the three largest Slovenian banks (and some smaller banks as well) have been transferred to the Bank Asset Management Company, Slovenia's bad bank, which is required to dispose of the assets, creating quite a bit of work on one side or the other."

Despite a generally positive outlook, Peljhan isn't insensitive to the risks. "We also see some dangers," he says, "tied primarily to the political situation and syndicates in the public sector. The syndicates in the public sector are putting huge pressure on the government to increase wages, which is likely to increase the deficit, and puts pressure on government to find the money. And there are attempts by the government to increase taxes, including taxes on profits. And the Ministry of Health is trying to pull contributions for health insurance from rent, profits, and everything, potentially increasing taxation about 6.5%." Peljan describes this as "quite a huge increase."

"What's also creating a problem for our sector is a very high tax on salaries," Peljhan says. "For example, if we provide a salary of EUR 5,000, we have to pay an additional EUR 10,000 in taxes. Consequently, it's quite hard to keep the best people in Slovenia or to find people from outside." The RPPP Partner sighs that this is "tough for law firms," explaining that "if you want to have good people, you have to pay them, and this is, I would say, a problem. They also want to tax profits. For employers it's a zero or even a minus game at the end of the day."

Peljhan describes the legal market and bar association as "pretty stable," reflecting the "good leadership in the bar." Peljhan refers to the international law firms coming into the country ("mainly from Austria"), but says "I would say it's fair competition – we have to live with this." He laughs: "We are definitely not furious." Indeed, Peljan – whose firm, he reports, is the largest in the country in headcount, turnover, and profits – notes that "they have been here for quite some time, but we are still managing to grow, so for us it's ok."

To the contrary – Peljhan points out the clear bright side: "The market has gotten used to international standards and to the quality of work." What's more, "it's also good for us to have quality lawyers on the other side of the table." As a result, he says, "if I look back 10 years, the sophistication of the deals has gotten really high. I can say we're reaching Western standards."

BOSNIA & HERZEGOVINA (MARCH 15, 2017)

Lawyers Benefitting from Constitutional Court Ruling on Notary Law

"There are certain developments influencing our day-to-day business," says Adela Rizvic, Partner at Advokatski Ured Tkalcic-Dulic, Prebanic, Rizvic I Jusufbasic-Goloman in Sarajevo. For instance, she says, in April of last year, the Constitutional Court of the Federation of Bosnia & Herzegovina – one of two entities in Bosnia & Herzegovina, along with Republika Srpska – declared several provisions of the Federation's Notary Law unconstitutional, making certain documents that previously were required to be executed as Notarial Deeds no longer requiring notarial assistance. According to Rizvic, "this theoretically means lawyers can produce the company acts themselves, which of course has a significant impact on us, and on our fees."

Although Rizvic is encouraged by the development, she has concerns. "This is only the case in the Federation," she says, "and it is not true in the Republika Srpska, so there's now a real discrepancy between the two entities. That's the first problem. The second problem is that the Constitutional Court has failed to produce any guidance or instruction on how its ruling should be implemented – and no legislation has, as yet, followed. Courts are currently accepting secretarial documents of companies without notarization … but of course notaries are complaining. So that's an ongoing dispute."

For the time being, Rizvic and her colleagues have "decided to produce these documents ourselves and to advise clients to proceed consistent with current court practice, because we see that courts are accepting our points of view." Even though Rizvic concedes the legislature may eventually produce laws once again requiring notarization, "in our opinion any new legislation should not have adverse effects on current documents. You never know, of course, but we believe that even if legislation does once again require notarization, it will not affect documents pre-

pared following current court practice."

The Federation's Parliament is currently considering proposals on potential new legislation to clear up the confusion, Rizvic notes, "but unfortunately none has been enacted so far."

Another issue that continues to trouble Rizvic, she says, is the "legally prescribed lawyer's tariff in the Federation on what certain lawyers' acts cost," which she says are now over a decade old and limited in a certain manner regardless of case value. She notes that lawyers and clients can always set their own fees with clients, so these tariffs don't affect lawyers so much, but the tariffs do affect clients' ability to recover legal fees after successful actions in court. According to Rizvic, "this is frequently discussed in the bar." She says, "we're very unhappy because the tariffs are limited (and therefore so low), but so far we have not been successful." She sighs. "It appears there is not so much political will."

AUSTRIA (MARCH 16, 2017)

Concerns about Digitalization and Artificial Intelligence in Austria

"Austria has not had any significant legal developments for the last 12 months, beyond the general implementation of EU measures and legislation that affect all member states and some Austrian legislative initiatives, for example in the area of supporting start-ups," says Christoph Moser of Austria's Weber & Co. Rechtsanwaelte. "But what the legal profession is really talking about is whether the profession is about to change in the future in terms of digitalization and artificial intelligence."

"The issue is now coming to Austria," Moser says, "though we've seen it for some years in the UK and US." According to Moser, "many lawyers in their 40s and 50s see artificial intelligence as a threat to their business, not only in the long term, but even in the short term." He says, "it's really been an issue in terms of how lawyers are going to work in the next three to five years, especially when it comes to large volume projects or litigations. Artificial intelligence technologies will increasingly be an important factor in handling and pricing assignments, especially for large assignments that include due diligences or the handling and case management of court and arbitral disputes."

The consequence of this development is unavoidable, according to Moser. "That means you cannot bill for many associate hours any longer, because parts of the due diligences are done by computer software or supported by computer software." As a result, "many large firms are seeing that as a threat to their business models, especially where it comes to high volume transactions and fees paid for due diligence work. The question is always, should your firm be among the first to invest in the new technology – which requires significant up-front investment – or should you be more a follower, to see where the market goes?"

That specific issue is "not too critical for us" at Weber & Co, says Moser, as "we don't focus on transactions including large-volume due diligence exercises." Still, he says, "we're also looking into what specialized technology exists to support our specialized business."

Moser also notes that large due diligence work seems to be decreasing as a source of revenue for law firms anyway, "both because it's time-consuming and because it's a large fee block, and it has not always played a key role." Moser explains that "if you do a red flag due diligence you're alerted to certain important factors, but full-fledged due diligence has somewhat fallen out of fashion because the fees are extremely high and eventually – when it comes to M&A transactions – the question will always be how to value results in the purchase price determination and how to weigh the factors in the transaction." He notes that "there are mechanisms in M&A transactions to factor that into the sale price anyway."

Turning to the Vienna Bar Association, Moser reports that after several years of controversy in 2015 and 2016 involving a contentious and sometimes ugly fight for leadership, "things have calmed down – things are really going well."

In terms of practice areas, Moser reports that Real Estate is going really well, "with a number of significant projects and developments – especially in the Vienna area." Moser describes "large volumes, stunning new neighborhoods, lots of commercial and residential projects," and says that "even just walking around Vienna you can see lots of developments and that prices are still increasing." Compliance and Cyber-security is hot at the moment as well, he says, "with lots of demand from large Austrian companies making sure they're up to date with Compliance obligations."

Finally, Moser turns to his own area of specialization, reporting that "Austrian Capital Markets are still recovering." Moser says that "the Vienna Stock Exchange has done well, with stock prices increasing over the past few months. Also, you see a trend that issuers are considering new capital market transactions, and we're hearing from several banks that companies are planning potential IPOs in 2018 or even the end of 2017." Moser notes that over the previous few years "we have seen hardly any going public and many delistings from the stock exchange and takeo-

vers of listed companies, so the headcount of listed issuers in Vienna was significantly decreasing," but he says that "I would say for the past three or four months we have heard of one or another issuer planning on going public in the short to mid-term." He concludes: "This is good news, because Austria was silent for Equity Capital Markets for many years, especially compared to Germany or other European markets where stock prices significantly increased and new issuers went public."

POLAND (MARCH 27)

New Legislation Poses Potential Threats to Law Firm Business

"I think that there are several developments that will affect the Polish legal market in the near future," says Aleksander Stawicki, Senior Partner at WKB Wiercinski, Kwiecinski, Baehr in Warsaw. "The first one is the ongoing debate on the way legal services will be provided to state-owned companies." According to Stawicki, a plan is being considered that would expand the responsibilities of the General Counsel to the Republic of Poland – the state authority that until recently represented the State Treasury in court. According to the new law that entered into force on January 1, 2017 this authority is also empowered to represent state-owned companies. As the implementing regulation has not yet been adopted, the specific extent of this expansion is unclear, as it – for instance – hasn't yet been determined in practice whether that authority would represent state-owned companies only in disputes, or in other matters as well. Stawicki says, "there probably will be a fixed budget, such that each state-owned company – depending on its size – will pay a fixed-fee to this state administration and then will be entitled to a certain number of hours." Stawicki describes that, not wholly sincerely, as "a very innovative idea."

"There are a lot of doubts about it among lawyers," he says, and many questions about the proposal remain unanswered, including to what extent the state authority would be able to provide highly-specialized advice, whether it will have enough specialist lawyers, and so on. Stawicki assumes that, with the state's budget, they will be hiring, but due to the financial constraints they may not be able to hire the biggest talents on the market." There are also questions about potential conflicts of interest (as the interests of the state rarely coincide exactly with the interests of a company (even if this company is state-owned)). "So probably only time can tell to what extent this solution can work and whether it can work efficiently," Stawicki says.

Regardless, he says, "depending on the scope of the project and the final arrangement there is the possibility that at least part of work for state-owned companies that is currently being done by law firms in the market may be taken over by this authority."

"The second issue," Stawicki says, "is the ongoing debate in the Parliament about implementing the EU directive to prohibit auditing companies from doing legal work or any other kinds of work than auditing." Stawicki points to the rise of the Big Four law firms in recent years, noting that while they withdrew for a while from the legal market following the collapse of Enron, "now we see them coming back and really competing fiercely with law firms for legal work: investing in people, doing a lot of marketing, etc. – not concentrating any more just on corporate work or tax law but going into more specialized areas. So the outcome of this discussion – to what extent they will be allowed to continue this – will be another big issue, and the answer to that issue will have a huge impact on the market."

Directive 2014/56/EU as well as Regulation (EU) No 537/2014, Stawicki explains, "allow the member states to impose a ban on auditing companies, prohibiting them from engaging in other kinds of advisory services for their clients, to preserve the independence of the audit and its proper functioning." Stawicki reports that "of course the audit companies say there's no risk and they should be allowed to continue their current business model. But there's also opposition from, for example, some tax advisors and legal advisors who say that there are conflicts of interest and that it is in the best interests of the proper functioning of the market that they not be allowed to do so." He concludes that "this is a very important issue but it's not clear how this it will end up."

Turning to more optimistic subjects, Stawicki says that "the Polish economic situation is good," and reports that, despite continuing questions "about the political situation in Poland, and Europe, and the world in general, and about how this might influence the activity of investors, last year was very good for us." Stawicki says, "we have increased our profits, we have increased the head-counts again and have now over 80 lawyers, which shows that there is a place for growth on the Polish market. Of course, it's a competitive market and always has been with the presence of the international chains and the presence of lots of really good Polish independent firms, now with the new wave of boutique firms formed by lawyers leaving the bigger firms. But our business plans assume that we will be growing over the next few years, both in mainstream work – in transactions and litigation – but also in the more specialized areas of law, like competition law, transportation law, energy law or pharmaceutical law – areas which has have always been very active, and we expect that there will be more work coming."

THE CORNER OFFICE: CHANGE OF PRACTICE

In The Corner Office we invite Managing Partners at law firms from across the region to share information about their careers, management styles, and strategies. The question this time around: Is your personal practice more or less the one you anticipated when you finished law school, or did it change somehow in the interim?

Alexandra Doytchinova, Managing Partner, Schoenherr, Bulgaria

In 2001 I was focusing on private international law in my first job as a research and teaching assistant at the University of Graz, and I had not even heard of due diligences, NDAs, SPAs, disclosure letters, and the rest of what counts as standard transaction documentation. Then I met some people from Schoenherr – first at a seminar, then at a party – and we really hit it off. The Managing Partner of Schoenherr at the time, Christoph Lindinger, was a pioneer in SEE expansion and excited about the idea of having more SEE people on board. Eventually, although the firm didn't yet have an office in Bulgaria, he invited me to join Schoenherr – and I accepted. I really had no idea what to expect, and even took a year off from the University so that I'd be able to return to my assistant job if I needed to (which I obviously never did).

So actually, I never meant to do M&A and never applied for a position with Schoenherr, and, when I accepted their offer to join the M&A team, I really had no idea what to expect. But I thought they were cool guys, and I was open to learning – and it turned out I loved it, loved Schoenherr, and ended up opening their Sofia office a few years later, in 2004.

I am happy to see that insight into transaction-based M&A work is being offered to law students nowadays. This gives our younger colleagues the chance to make an educated choice on their preferred practice area earlier in their careers.

Panagiotis Drakopoulos, Managing Partner, Drakopoulos, Greece

I always liked business and followed the transactions of great businessmen in the news. As a law graduate, I pictured myself as an international business lawyer, flying around the world closing deals for my clients. Fortunately, the reality proved to be not too far from what I imagined, albeit less glamorous, especially due to the jurisdictions where I found myself practicing. All in all, I started out to be a Corporate and M&A lawyer, and, for the most part, Corporate and M&A turned out to be my actual practice.

Uros Ulic, Managing Partner, ODI Law, Slovenia

My practice has, after approximately ten years, shifted from domestic dispute resolution to international cross-border transactional work, which was almost non-existent in SEE at the time of my study at the Ljubljana and Amsterdam law schools. In order to develop a full-service business firm we needed to have a transactional team. Since M&A activities were at the very early stage lateral hiring was not possible. So I decided to accept the challenge myself. This change gave me additional motivation and work satisfaction and ultimately made me a better expert by broadening my legal knowledge and skills.

I would strongly recommend that every seasoned practitioner either change his/her practice area or at least some angle of it. Young lawyers however should first master personal practice before moving to another in order to meet professional standards.

Ron Given, Co-Managing Partner, Wolf Theiss, Poland

Being the first lawyer in my family, I did not have a very sophisticated set of career expectations when I graduated from law school in 1978. All I knew for sure was that I was tired of never having any money and all the lawyers in my small, Midwest-U.S. seemed to have more of it than me. I interviewed for my first law job with a Chicago firm because, naturally, I had been told the money was good there. I ended up staying with that firm for 30 years, never returning to my hometown. One weekend while proudly clipping the hedges of my (tiny) first home, I took a call from a corporate partner who needed help on a Sunday. I helped and it led to years of work with him doing energy sector deals in New Orleans, buying and selling ship yards along the course of the Mississippi, and flying in private jets. Stepping up to a similar response from a banking partner led to a great amount of finance work, mostly in New York City but also including a 3-month stint among the cowboys of Oklahoma City when a major bank failed. Taking an assignment from a partner that most associates avoided because he was "difficult to deal with" led me into the insurance business and to many trips to Bermuda where I learned that serious business people really do come to work in shorts.

Internal things happened, as well. I was appointed as one of the first Practice Group leaders in any American law firm – believe it or not practice groups were revolutionary ideas at the time. I think my main credentials were that I got along with people and always said yes if asked to "volunteer" for something. When Japanese business opportunities arose I was asked to coordinate them, first domestically in the U.S and then in Japan itself. After Japan, I got into Chinese matters, traveling there for the first time in 1990. Although the path has been a bit zig saggy at times, the direction has always been forward onto new and interesting challenges. Along the way many colleagues and clients have become friends and it seems that in at least some cases I have managed to make a difference. What more could you ask for?

2017 is not 1978, of course. I believe it is fair to say that the times and choices are tougher today for young lawyers. But the law is still a profession where opportunities for the unexpected abound, regardless of family connections or the size of your hometown or whatever. What continues to really matter is what you can do and your willingness to snatch the chances that come along for you.

Andrey Goltsblat, Managing Partner, Goltsblat BLP, Russia

My current personal practice far exceeds what I could have imagined. I was admitted to the Law School of the Soviet Union Interior Ministry and graduated in Law with distinction. It was the time of Boris Yeltsin, when the USSR was collapsing and history was being created right outside my office at the first Russian Parliament, where I held the position of Head of Staff of the Constitutional Commission. In August 1991, tanks went out into the streets of Moscow and this saw the demise of the Soviet Union. In 1993, Yeltsin dismissed Parliament. The work on the First Russian Constitution was almost completed and he put it

up for a referendum. It became Law, a new Russian Duma was elected, and I quit my job, as the enthusiasm had waned.

A new era of my career began. In 1993, bold foreign investors were seeking legal support in Russia. One of them was Mars, Inc., which desperately needed support for construction of its confectionery plant. I was introduced to them by their UK lawyers and tasked with making a land deal with the local Mayor for building a plant. They had been negotiating six months with no visible progress, so I stepped in. The UK law-governed lease they were negotiating was poorly translated into Russian and made no sense to the Mayor, so they got stuck. This was my first experience as a commercial lawyer and I didn't have a clue about land leases, but I delved into the Land Code of Russia and drafted a six-page lease; in two weeks, the deal was done. I realized I could be a commercial lawyer, as this was a huge success for my client. The venture began and brought me to the point where I am today. Mars is still our major client.

Willibald Plesser, Co-Head of CEE/CIS, Freshfields Bruckhaus Deringer, Austria

When I finished law school, I had no idea what a lawyer's life would look like. As a matter of fact, I became a lawyer by coincidence (as so often in life one needs a bit of luck).

Nevertheless, my interests were from the beginning in civil and commercial law, and not, for instance, in criminal or family law. When I joined the predecessor firm of Freshfields in Vienna, we were only six lawyers, so obviously everyone had a much broader practice. I did lots of litigations and some arbitrations which are always excellent training for any lawyer. In addition, my focus was on international commercial transactions, in particular for U.S. clients, but I also worked for a number of CEE and Russia-based foreign trade organizations, which before the fall of the Iron Curtain in 1989 dealt with the import/export business in their countries. The latter certainly was the basis for my interest in the CEE region today.

When Freshfields developed into a matrix organization, each lawyer joined (usually) one practice group (mine is corporate) and one or more sector groups (mine are FIG, energy, and media). Given today's demands to provide leading edge advice on an international level, there is no alternative to specialization and size anyway, but I should also add that personally I have immensely enjoyed this development. I have always considered it a real privilege to be able to work in teams of top lawyers, thus being able to produce the highest quality work available and have fun at the same time.

Vladimir Sayenko, Managing Partner, Sayenko Kharenko, Ukraine

My legal practice is actually very close to my expectations when I finished law school. By the time I graduated, I already knew quite a lot about the practicalities of legal work. In the early and mid-1990s, it was common for Ukrainian lawyers to enter the workplace at a relatively early age, and so during my last two years at law school I was already effectively working full-time. Many of the American lawyers I met during my LL.M. studies in the US after I completed my Ukrainian law degree were surprised to find me listed in Martindale-Hubbell with two years of associate experience, and I became one of the youngest lawyers admitted to the New York bar at the time.

However, while my practice stayed more or less the same, the kind of firm I expected to work with change substantially. Initially I, like most of my classmates, assumed I would have to join an international firm to handle top-tier cross-border and other complex and challenging legal work. Instead, after practicing law for 10 years, I came to realize that I did not have to limit my ambitions to building a career with an international firm and that a good national firm can actually play a much more prominent role on the Ukrainian market than the local office of an international firm could ever hope to, by building partnerships with the best firms from other jurisdictions and gathering diverse experience from strategic cooperation. That's how the idea to create Sayenko Kharenko was born about 13 years ago.

Erwin Hanslik, Managing Partner, Taylor Wessing, Czech Republic

I studied law in Salzburg, in Austria. I had an offer from the Czech firm Balcar Polansky to do an internship in Prague. I had just finished my studies, so it was a great chance to spend three months in Prague. Since I am a native German speaker, I was, from the moment I arrived, the contact person for all German-speaking clients of the firm. You can imagine, how important I felt …

When the firm invited me to prolong my stay, I decided to stay for another year. At that time, I did not speak Czech, so it was clear that I would return to Austria after that. But then I started to take language classes and it worked out. So I actually never really moved to Prague, but I simply stayed here.

Juri Raidla, Managing Partner, Ellex Raidla, Estonia

I graduated from the University of Tartu in 1980. The legal profession, as we understand it today, did not exist in Estonia at the time. There was no legal market – we did not even have our own state. Therefore, nothing from nowadays can be compared with those times.

Then came the time when Estonia regained its independence. Many of us, including myself, became involved in political affairs not because we were politicians but because it was something we had to do. So I was a Minister of Justice from April 1990-January 1992, then I continued as a Chairman of the Expert Committee (until June 1992), helping the Constitutional Assembly to prepare a new Constitution for the Country. After achieving what we wanted to achieve, many of us continued or entered into their professional life like into their normal way of professional being.

It was not my own idea to establish our law firm. The idea was suggested by French lawyer Daniel Hurtsel, who is currently a partner of Willkie Far. Since I was a free man in a free country in the middle of 1992, I accepted Daniel's idea and this way the law firm Raidla & Partners, currently Ellex Raidla, was founded on February 22, 1993.

Gediminas Dominas, Managing Partner Dominas Derling, Lithuania

When I finished law school I only had a very vague understanding of what the legal practice was about. Moreover, in the early 90s Lithuanian legal practices focussed only on criminal law and private client litigation. This was the time when the old communist system collapsed, the free market started to develop, and Lithuania regained independence. So two major trends – the development of business and internationalization – completely reshaped the legal practice. Eventually law firms started to emerge and developed into large modern institutions dealing with international matters. Law firm management and business development – I had never heard or thought of these concepts in law school. I later realized that law firms are subject to the same market principles as any other business. That being a good lawyer is only part of your practice. You also need to devote a lot of time to business administration, client relations human resources and the like.

Zeynep Cakmak, Co-Managing Partner, Cakmak-Gokce Attorney Partnership, Turkey

When I was in the early stages of my career and before starting to work as a practicing lawyer, I thought working as a counsellor was a great idea which would not compel me to go to court, which looked like a terrifying practice. Over time, I found myself going to the courthouse often and appearing in hearings, which I kind of liked. There is a different satisfaction in doing litigation and it teaches you how to make sound interpretations of law. I do not think it is possible to give proper counsel to your clients without having the self-experience as to how the courts interpret and apply the law. Now my advice to young lawyers who think like me at the beginning of their career is that being in the kitchen of the practice is critical in serving your clients as a counsellor. I view it necessary to becoming a complete practicing lawyer in Turkey.

We're not perfect; we admit it. If a story slipped past us, and if your firm has a deal, hire, promotion, or other piece of news you think we should cover, let us know. Write to us at press@ceelm.com

A CLOSER LOOK: REPORTED CEE DEALS IN 2016

Regular readers of the CEE Legal Matters magazine and visitors to the CEE Legal Matters website know how determined we are in our effort to report on every client matter worked on by law firms in Central and Eastern Europe. If we hear about a deal worth a billion euros: we report it. If we hear about a deal worth 50,000 euros: we report it. A cross-border M&A with multiple moving parts: we report it. A small pro bono project involving a local charity: we report it.

And we go further. At the end of every year we reach out to all the significant commercial firms across CEE and invite them to supplement our coverage with deals we may have missed – including deals that were (and often remain) confidential, and thus ineligible for coverage on the website. We then combine those end-of-year submissions with our own summary to come up with one final end of year listing, which we call, simply, our "Table of Deals."

It is "complete"? Of course not. It is dependent on information we get from the law firms in CEE – and what they don't share, we can't report. And, of course, many of the deals they do describe to us omit deal value, which limits our ability to summarize that data effectively.

Still. While we're aware of its limitations, we're also confident of its value. It is the most comprehensive report of its kind, and – to sophisticated readers who know what they're looking at it and from what it was generated – there is a substantial amount of valuable information in it. We are proud to publish this report.

Two last notes. First, all figures are in euros. Second, with the publication of this issue, the 2016 CEE Table of Deals, consisting of 1463 separate reported client matters, becomes publicly available on the CEE Legal Matters website as well. We encourage you to check it out.

Without further ado, here are the results.

TOP FIRMS IN NUMBER AND VALUE OF CONCLUDED PROJECTS IN CEE

Sorainen leads the list with most reported client projects concluded in the applicable period, with CMS coming close behind. Note: This is not "deals" only – but rather a calculation of all client work reported, including disputes and advisory.

Firm	Total Reported Client Matters
Sorainen	89
CMS	88
Allen & Overy	79
Dentons	76
Tark Grunte Sutkiene	75
Clifford Chance	59
Cobalt	58
White & Case	55
Schoenherr	53
Karanovic & Nikolic	50
Ellex	50

When deals below a value of EUR 1 million are excluded, many of the Baltic firms – which handle a large number of smaller deals – drop out. But the resulting list is not filled exclusively by international firms, as Bulgaria's Djingov, Gouginski, Kyutchukov & Velichkov reported involvement in a number of notable financing and capital markets projects in Bulgaria as well as several large disputes.

Firm	Total Reported Client Matters with Reported Deal Value of at Least EUR 1 Million
CMS	44
Tark Grunte Sutkiene	39
Allen & Overy	39
Clifford Chance	36
White & Case	33
Dentons	32
Djingov, Gouginski, Kyutchukov & Velichkov	24
DLA Piper	23
Noerr	20
Schoenherr	19
Linklaters	19

International firms dominate the top of the table of total reported value of CEE work (where that value was disclosed). Schoenherr and Tark Grunte Sutkiene broke into the Top 10 in terms of total reported value with Wolf Theiss missing it by a little over EUR 300 million. For the purposes of this calculation we excluded global deals that only affected CEE in ancillary or limited ways, such as the global merger between Pfizer and AstraZeneca.

Firm	Total Reported CEE Client Matters (million EUR)
Allen & Overy	24,244.33
White & Case	18,921.52
CMS	16,006.40
Freshfields	13,966.49
Clifford Chance	12,623.30
Linklaters	8,650.24
Schoenherr	7,621.54
Dentons	6,170.55
Weil Gotshal & Manges	5,378.91
Tark Grunte Sutkiene	4,478.71

BREAKDOWNS BY TYPE

Corporate/M&A

Firms	Number of Reported M&As
Cobalt	31
Sorainen	31
Ellex	29
CMS	28
Dentons	27
Tark Grunte Sutkiene	27
Clifford Chance	26
Schoenherr	26
Wolf Theiss	24
Allen & Overy	23

Firms	Number of Reported M&As Worth Over EUR 1 Million
DLA Piper	16
Clifford Chance	13
White & Case	13
Tark Grunte Sutkiene	10
CMS	9
Dentons	9
Schoenherr	9
Noerr	8
Weil Gotshal & Manges	8
Wolf Theiss	7

Firms	Total Reported Value of M&As in CEE (million EUR)
Allen & Overy	10,721.93
Freshfields	10,600
Clifford Chance	9513.94
Weil Gotshal & Manges	4620.95
White & Case	3611.05
Gide Loyrette Nouel	2450
Skadden Arps	1783.48
Schoenherr	1601.44
Karanovic & Nikolic	1435.38
Allen & Overy	23

Banking/Finance and Capital Markets

Firms	Banking/Finance and Capital Markets
Allen & Overy	38
CMS	37
Clifford Chance	31
Dentons	26
White & Case	21
Tark Grunte Sutkiene	20
Linklaters	19
Karanovic & Nikolic	18
Baker McKenzie	18
Cobalt	14

Real Estate

Firms	Real Estate
Dentons	21
CMS	14
Schoenherr	14
Sorainen	14
Ellex	10
Tark Grunte Sutkiene	7
Noerr	7
DLA Piper	7
Hogan Lovells	7
Allen & Overy	6
Wolf Theiss	6
Fort	6

BREAKDOWNS BY MARKET*

Austria

Firms	Total Reported Client Matters
Schoenherr	28
Wolf Theiss	21
CHSH	13
Herbst Kinsky	13
Binder Groesswang	10

Bulgaria

Firms	Total Reported Client Matters
Djingov, Gouginski, Kyutchukov & Velichkov	39
Dimitrov, Petrov & Co.	18
CMS	9
Linklaters	4
Kambourov & Partners	4

Czech Republic

Firms	Total Reported Client Matters
Allen & Overy	18
White & Case	14
Kocian Solc Balastik	14
Clifford Chance	13
CMS	11
Dentons	11

Hungary

Firms	Total Reported Client Matters
DLA Piper	16
Dentons	14
CMS	12
HP Legal	9
Allen & Overy	8

Estonia

Firms	Total Reported Client Matters
Cobalt	29
Ellex	24
Tark Grunte Sutkiene	20
Sorainen	19
Glimstedt	7

Latvia

Firms	Total Reported Client Matters
Tark Grunte Sutkiene	24
Sorainen	19
Ellex	14
Cobalt	12
Fort	7

Lithuania

Firms	Total Reported Client Matters
Tark Grunte Sutkiene	40
Sorainen	26
Cobalt	25
Ellex	22
Fort	12
Glimstedt	12

Poland

Firms	Total Reported Client Matters
Dentons	28
CMS	27
Clifford Chance	23
Allen & Overy	22
White & Case	19

Romania

Firms	Total Reported Client Matters
Allen & Overy	23
Tuca Zbarcea & Asociatii	13
Noerr	11
Schoenherr	10
Bondoc & Asociatii	10

Russia

Firms	Total Reported Client Matters
Egorov Puginsky Afanasiev & Partners	11
Dentons	9
Liniya Prava	7
Noerr	6
White & Case	6
Debevoise & Plimpton	6

Serbia

Firms	Total Reported Client Matters
Karanovic & Nikolic	21
Zivkovic Samardzic	9
Wolf Theiss	6
Jankovic Popovic Mitic	4
Marjanovic Law	4

Slovakia

Firms	Total Reported Client Matters
Noerr	12
CMS	8
Allen & Overy	7
Dentons	6
Schoenherr	6
White & Case	6

Slovenia

Firms	Total Reported Client Matters
ODI Law	14
Karanovic & Nikolic	9
CMS	6
Schoenherr	6
Rojs, Peljhan, Prelesnik & Partners	4
Selih & Partnerji	4

Turkey

Firms	Total Reported Client Matters
ELIG	28
Paksoy	21
Baker McKenzie	14
Dentons	13
Moral Law Firm	11

Ukraine

Firms	Total Reported Client Matters
Vasil Kisil & Partners	29
Sayenko Kharenko	24
Avellum	20
Everlegal	19
Redcliffe Partners	13

*** Several markets are not included in this section due to insufficient data, though we would like to acknowledge the firms with the most reported client matters in each:**

- **Albania - Drakopoulos**
- **Belarus - Sorainen**
- **Bosnia and Herzegovina - Sajic**
- **Croatia - Karanovic & Nikolic**
- **Greece - Drakopoulos**
- **Macedonia - Karanovic & Nikolic**
- **Montenegro - Karanovic & Nikolic**

MARKET SPOTLIGHT: SERBIA

In this section:

GUEST EDITORIAL: OUR EVER-CHANGING MOODS

More than 27 years have passed since I became a lawyer back in 1990, and there's not so much that can really surprise me anymore. My country (at that time called Yugoslavia) went through hyperinflation, a war with its neighbors, UN sanctions, a NATO bombing campaign, democratic protests which led to major political changes at the beginning of a 21st century, Prime Minister Djindjic's assassination, and privatization, with all the typical transition issues which led to huge social and economic changes. Serbia today is still under the burden of the Kosovo crisis and trying to balance between East and West on its slow path towards EU integration.

The main question remains: Have we finally crossed the point of no return, are we finally safe, on our way to better times? I am not convinced – but, as I said, we already had it all, and one thing is sure, we somehow survived. At least we have peace, the basic macroeconomic parameters are still stable, inflation is under control, and official statistics are telling us that unemployment is decreasing. Still, the majority of the general population in Serbia is living hard – compared to the status of many other European countries, at least.

The legal profession in Serbia has gone through significant changes as well. Although there is still an army of individual lawyers (working mainly with private clients on litigation cases, the way we all were 25 years ago), we have also more than fifty law firms gathering from 10 up to 100 lawyers working together on various issues for corporate clients conducting business in Serbia. Law firms – mainly Austrian – from the region have established a strong presence that only a couple of big local firms are really able to match, and all of the Big Four (PWC, EY, Deloitte, and KPMG), and even smaller international accountancy and business advisory firms are expanding their legal practices, teaming up with local lawyers who work under their branding umbrella. On the other hand, local Serbian law firms are trying to invade neighboring markets as well, not only for cross border transactions but also for local work – some through their own branches, some through networks. Spin-offs from the biggest law firms is a common practice – young lions are trying (and some succeeding) to find their place in the sun. Since the market is small, there's no direct permanent presence of the global law firms that run the world of the legal profession, but all of them are present in major deals, working with chosen local partners or subcontractors.

The most complex issue the profession is currently facing is probably the catastrophic situation within the major Serbian bar associations, particularly the Belgrade one, trapped for years in disputes over the election of its officers and led by people whose minds are still locked within 19th century concepts.

On the other hand – our future: I believe Belgrade Faculty of Law is a good school, and with the opportunities for students to get master's degrees abroad it still can deliver quality. Young lawyers usually are hardworking, ready to learn, and ambitious people capable of enduring the fight with never-ending changes of regulations, the issue that has become a major problem for any serious investor, besides a judicial system that is still slow and incompetent despite several (unsuccessful) attempts at reform. Responsibility, at least partially, should also be borne by the so-called foreign experts, mostly second and third tier ones, brought from abroad to help us with new legislation. Even if the region is by no means unfamiliar with know-it-all characters of our own.

Due to the fact that Serbia is larger than the rest of the neighboring ex-YU countries, many international companies are moving their regional headquarters to Belgrade and other Serbian towns. Sadly, our wages are more than competitive (some will say we're cheaper than the Chinese). Once you add the tasty food and the pleasant and safe environment, big players seems to prefer to spend their overseas time here. As a result, Belgrade's business properties are full again and the real estate sector in growing, along with IT and various support services that can be performed remotely. As far as larger investments are concerned, those are mostly government deals – because Serbia is still a country in which it is rather difficult to commence and complete anything big without strong involvement and support from the state.

So, the legal profession is swimming with the tide and, as ever, some are swimming better than others. Slowly, we are becoming EU look-alikes, dealing with a myriad of laws and regulations, specializing in particular areas of law, fighting ever-growing bureaucracy – and in-between all of that, trying to build our lives, not only as lawyers but as people, too. From time to time, the real challenge arises reminding me that the legal profession is still one of the greatest and most meaningful jobs one can do. Could I ask for more?

Branislav Zivkovic, Founding Partner, Zivkovic Samardzic

THE FASHION OF THE DAY:

Balkan Legal Alliances

Partners at Serbian Law Firms Discuss the Growing Number of Legal Alliances Appearing Across the Former Yugoslavia

The Phenomenon Described

On March 23, 2017, CEE Legal Matters reported that the Adriatic Legal Network has added two new members, quoting an ALN press release which claimed that, now, "the entire territory of former Yugoslavia is finally covered." This news followed a month after CEE Legal Matters reported that the South East Legal Alliance (SELA) had announced a similar two-firm expansion, providing it with identical market coverage. According to Milan Samardzic, Partner of the Samardzic, Oreski & Grbovic Law Firm (SOG), "it feels like there's a new alliance every week now."

Tijana Kojovic
Managing Partner
BDK Advokati

Indeed, an ever-growing number of firms in the former Yugoslavia claim to offer a one-stop-shop solution across the region in their client pitches and in London roadshows, and partners at leading Serbian law firms have strong opinions on the subject, which Tijana Kojovic, the Managing Partner of BDK Advokati (a member of SEE Legal) describes as "the fashion of the day."

Nikola Jankovic, JPM Jankovic Popovic Mitic's Managing Partner, explains: "It appears that these new networks have been formed on 'the wave' that SEE Legal initiated ten years ago and that TLA [Top-tier Legal Alliance, of which JPM is a member] continued three years ago. Regional coverage is in demand, as most transactions in

the region involve at least two regional jurisdictions." He says: "Frankly speaking, after SEE Legal, Karanovic & Nikolic going regional, and TLA, all the others probably think there is a lot of money to be collected in the region and that it's 'sexy' to be able to offer regional coverage." He laughs that "they should have at least tried to be more innovative concerning the names of their networks."

Vladimir Bojanovic, Managing Partner of Bojanovic & Partners, agrees that "firms are gaining an appetite to position themselves as internationally focused and able to effectively manage regional mandates." And indeed, Marija Bojovic, Managing Partner of Bojovic & Partners, reports that she was moved to set up SELA after witnessing the benefits of SEE Legal's regional network with her previous firm, BDK Advocati.

Slobodan Kremenjak
Partner
Zivkovic Samardzic

Slobodan Kremenjak, Partner at Zivkovic Samardzic Law Office, believes the alliance trend is inevitable due to the relatively small size of the markets and the absence of the larger London and New York-based international firms. Bojovic as well points out that the six former Yugoslavian markets combined are approximately the same size as Romania and that the same investors tend to appear across the region.

As a result, it appears more networks are in the works. Mladjan Marjanovic, Partner of Marjanovic Law, says his firm is in the process "of setting up a strong cooperation with a law firm in Montenegro" and adds that "it's rather certain we will do the same with Bosnia and Herzegovina, Croatia, and Bulgaria." According to Samardzic, "SOG is also in the process of setting up a new alliance with its partner law firms from the region." He adds: "You can expect an official launch in the very near future."

Mladjan Marjanovic
Managing Partner
Marjanovic Law

The Baltic Model?

The Baltic states of Lithuania, Latvia, and Estonia provide a template for Balkan firms to follow, as, like the jurisdictions in the former Yugoslavia, the Baltics share a similar geography, political history, and culture – and as many clients are present in all three markets. One significant difference involves nomenclature: In the Baltics all members of alliances tend to operate under one name (while maintaining formal separation in partnership, profit distribution, and management) rather than maintaining separate names, as the firms in the Balkans have done. Even that distinction may not last long, however: Based on the number of alliances emerging, Kremenjak believes that, as the Balkan alliances settle in, "stronger bonds will appear," and stronger forms of cooperation beyond simple branding alliances will manifest themselves. When asked if that means efforts to merge brands are on the horizon, Kremenjak is succinct: "Oh, it will come."

But others are less sure. Bojovic says that

Milan Samardzic
Partner; Samardzic, Oreski & Grbovic Law Firm

"it is too early for now" to contemplate any form of integration. She explains that the market would need convincing that the one-firm model pursued currently by ODI Law and Karanovic & Nikolic can work, citing the one genuinely integrated pan-Baltic firm as an example: "I want to see present single-firm approaches prove successful the same way Sorainen acted as an inspiration in the Baltics." Still, eventually, it may have to happen. Samardzic says: "While it is an idealistic goal at this point in time, a complete integration of independent law firms that can efficiently operate as one single firm would be the best outcome for both the clients and individual law firms from the region. For the time being, alliances need to build up their capability of proving they can act as one firm when, in fact, they are not."

But it's not simply a matter of logistics or will. Bojovic points to the significant obstacles posed by local Balkan Bar associations, opposed to many modern commercial law practices (see "Discord and Dissent" on page 52), which are too significant "for it to be worth it right now." Kremenjak believes the conservative Bar associations can be overcome, however, as he believes the trend towards expanding alliances is ultimately "client driven" and, thus, "in the long run, if the firms see commercial sense, they will find a solution."

In fact, there's some evidence that tentative steps towards integrating the alliances

beyond a memorandum of cooperation are already being made. Kojovic, at BDK, explains that, in the SEE Legal network, within a range, individual members are able to offer a consistent fee package. Towards the same goal of consistency, the network has a full-time representative based in the BDK Advokati office tasked with ensuring a common packaging of all delivered work.

Nikola Jankovic
Managing Partner
JPM Jankovic Popovic Mitic

Furthermore, two of the alliances – SEE Legal and TLA – have registered NGOs dedicated to facilitating the operations of their respective networks. In the case of SEE Legal, an NGO based in Sofia handles alliance administrative work, funded by the network's membership fee.

And according to Jankovic at JPM, because they wanted to "avoid centralizing and running TLA from Belgrade as the largest regional city of the Adriatic region," members have chosen to base the network in Austria. "Vienna is a regional business hub with strong historical ties to the region, it is a convenient place to do business for our German-speaking clients, and it is convenient for me on a personal level, as I live with my family in Vienna, dividing business time equally between Vienna and Belgrade." Like SEE Legal, TLA has a common budget used, Jankovic says, for "raising the market profile of the network and various business development activities."

At the end of the day, creating an NGO to manage administrative matters or a shared budget may or may not be essential – but, as Tijana Kojovic says, "it is certainly useful."

Marija Bojovic
Managing Partner
Bojovic & Partners

"Sexy" Requires Commitment

On one element many participants in Balkan alliances agree: Success doesn't come easy. Bojovic, at Bojovic & Partners says that building a network like SELA is almost a "full-time job," which requires "a real commitment if you are looking to build something more than a simple website." BDK's Kojovic agrees that it is critical to develop more than just a joint marketing platform if a network is planning to target international firms in London and present themselves as offering to service a whole region. Otherwise, Kojovic claims, "the new alliances, if not well thought-through, may risk offering a Nokia in the age of iPhone 7s."

This commitment requires a variety of additional steps, including the joint acquisition and sharing of knowledge – what Bojovic describes as "quality alignment." Unsurprisingly, everyone claims their networks excel in this regard. Jankovic notes that "as has been the case with some global legal networks, firms in smaller jurisdictions have benefitted by transfer of know-how and exposure to more complex areas of legal work" and says, for example, "all firms in the [TLA] network have achieved a common synergy, demonstrated by enhanced collaboration, coordination, and flexibility, resulting overall in better service for all TLA clients."

"The new alliances, if not well thought-through, may risk offering a Nokia in the age of iPhone 7s."

Kojovic claims SEE Legal has been committed to this process since it began over four years ago and has developed many projects to ensure that the same quality of service is provided by all alliance members. She reports a drive to create a "real regional outlook," by encouraging all members to stay apprised of what's happening in their fellow members' jurisdictions and helping them do so. SEE Legal has also initiated the creation of practice groups within the alliance such as M&A, Banking, Competition, and Energy, allowing the individual heads of practice at each member firm to exchange both know-how and business intelligence with their counterparts across the region.

Simply put, Kremenjak believes "that we are beyond that point in time when just issuing a press release and announcing the creation of the network matters. "

Is a Network the Best Strategy?

Still, why would a firm choose to join a network rather than simply opening up a new office? Indeed, both Karanovic & Nikolic and ODI Law have foregone the network/alliance approach in favor of expansion. And as Milos Curovic, Managing Partner of ODI Law's Belgrade office explains, the network model is hardly the only route to achieving quality control: "The quality can be achieved both ways, depending on the frequency of cooperation within the network or group." In fact, he feels that for networks – compared to integrated law firms with multiple offices – it can be a bigger challenge "to offer seamless advice

throughout multiple jurisdictions, prioritizing mandates and response time at the early stage of the project."

Bojanovic, at Bojanovic & Partners, however, insists that, while he respects the achievements of firms like K&N and ODI, their success does not mean other firms, with other business models, would achieve the same result: "Everyone should find the approach they believe would lead to the highest client satisfaction. In our case, we decided to remain a local Serbian law firm and to cover the Balkans through our legal network Adriala, which is unique in many aspects. Frankly, after thorough consideration this seemed to be the most effective solution for seamless and the highest quality control that in my view can be only achieved through decentralization and joint work forces of the most reputable local law firms."

Of course, many as-yet-independent firms claim that their reluctance to join alliances is motivated by that same commitment to quality. Bogdan Gecic, the Founding Partner of Gecic Law, believes that, unlike the obligation to refer to work exclusively to other network members typical of some networks, the flexibility firms like his enjoy works to the client's benefit: "As you know, we are committed to compete only in those areas where we are absolutely certain that we can provide the highest level of service. With that in mind, close cooperation with a number of leading firms in local jurisdictions, specializing in different areas of law, which allows us to cherry-pick the very best in each and every practice area, makes more sense for the time being, as it enables us to provide high-end service while building a foundation for a sort of 'alliance' of firms that share the same values, commitment to excellence, and expertise, rather than 'strength in numbers' as the primary advantage."

Ironically, other independent firms, like Nenad Stankovic, Partner of Stankovic & Partners, are not sold on the network concept specifically because of the lack of exclusivity in "many of them in any way, which minimizes returns." In addition, Stankovic insists that firms based in Belgrade – the regional hub – are much more likely to be referring clients to other markets than receiving them. As a result, he believes, for partners in the Serbian capital, "it is not really worth it at the end of the day, because it involves too much work and money spent on marketing when compared to the benefits."

Milos Curovic
Partner
ODI Law Firm

Not all agree with the pattern of referral flow Stankovic describes, however. Curovic at ODI Law reports more referrals coming to Serbia from Slovenia and Croatia than going in the opposite direction, though he concedes that it might be "more a question of specific office size and strength than market trends." And according to Jankovic, "similar to the typical direction flow of business in the rest of Europe (West to East and North to South), the work in the region has been predominantly moving from West to East and North to South. In the case of Serbia, that means that the vast majority of inbound referral work comes from Slovenia and Croatia and similarly flows from Serbia across to Bosnia & Herzegovina, Montenegro and Macedonia."

Finally, again, a number of firms that have joined alliances rather than opening their own foreign offices cite the challenges posed by the local Bar associations. But those obstacles may be shrinking. Many report a gradual evolution happening. Curovic explains why his firm was undeterred in opening up offices in other former Yugoslavian countries: "With the globalization of the economy, the legal services sector also followed that trend. We at ODI understand that clients cannot be burdened by local Bar regulations that keep the protective national approach. The single firm approach is something that came out of clients' needs and not as our innovation. As long as there is client demand we will do our best to support them even if that means taking a more difficult path for ourselves."

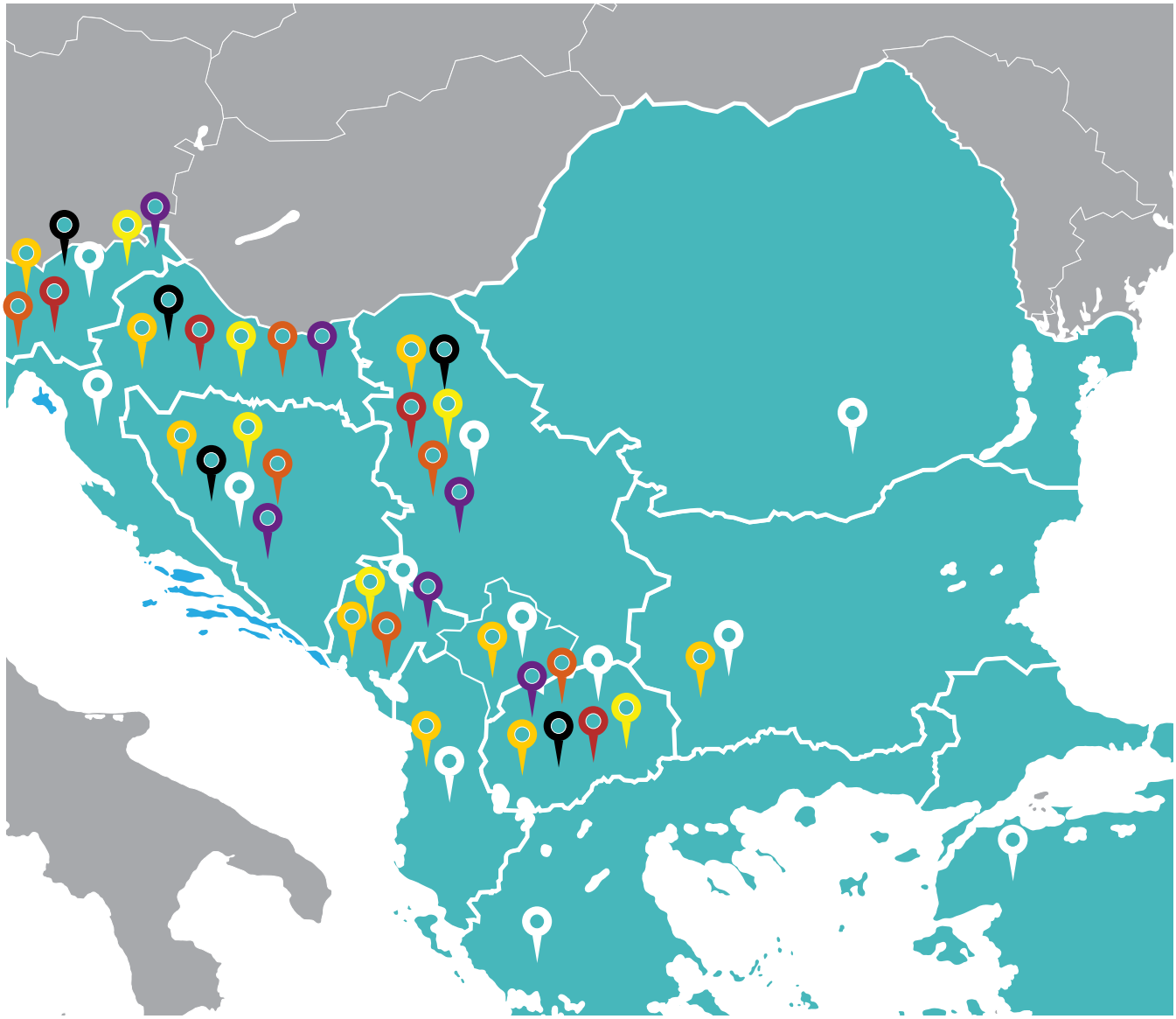
And when asked about how he expects the Bars to evolve in the future, Kremenjak says, "I expect the Bars will continue to be conservative, I'm afraid," but he insists that "they will learn over time they cannot oppose such movements at all times." Building on that, he believes that "a wise bar" will learn over time to allow firms to grow in this direction because, ultimately, such growth is the only thing that will allow local players to truly compete with international firms.

Vladimir Bojanovic
Managing Partner
Bojanovic & Partners

The Ultimate Test

Beyond the challenges presented by (either the need for or the threat from) exclusivity and the problems posed by overly-conservative Bar associations, Bojanovic says that ultimately the increasing number of networks in the region will all need to survive two tests: "The quality test after they win their first truly regional mandate and the test of time to see if they actually stay together."

Radu Cotarcea



Alliance	Set Up	Members	Countries
Adriala	October, 2016	Baros; Baros & Bicakcic; Bojanovic & Partners; Kavcic, Bracun & Partners; Knezovic & Associates; Madirazza & Partners; Prelevic; Spasov & Bratanov; Tashko Pustina	Albania; Bosnia and Herzegovina (Banja Luka and Sarajevo); Bulgaria; Croatia; Kosovo; Macedonia; Montenegro; Serbia; Slovenia
Adriatic Legal Network	June, 2016	Joksovic, Stojanovic & Partners; Kallay & Partners; Miro Senica and attorneys; Pepeljugoski Law Office; Law firm Sajic	Bosnia and Herzegovina; Croatia; Macedonia; Serbia; Slovenia
Lawyers & Friends	June, 2016	Babic & Partners; Cukic & Markov; Jadek & Pensa; Prica & Partners	Croatia; Macedonia; Serbia; Slovenia
Lexellence	2017	Femil Curt Law Office; Glinska & Miskovic; Konstantinovic & Milosevski; Law Firm Luksic & Zivkovic Milic; Samardzic, Oreski & Grbovic; Sibincic Krizanec Medak	Bosnia and Herzegovina; Croatia; Macedonia; Montenegro; Serbia; Slovenia
SEE Legal	2003	BDK Advokati; Boyanov & Co.; Divjak, Topic & Bahtijarevic; Kalo & Associates; Kolcuoglu Demirkan Kocakli; Kyriakides Georgopoulos Law Firm; Maric & Co; Nestor Nestor Diculescu Kingston Petersen; Polenak Law Firm; Selih & Partners	Albania; Bosnia and Herzegovina; Bulgaria; Croatia; Greece; Kosovo; Montenegro; Macedonia; Romania; Serbia; Slovenia; Turkey
South East Legal Alliance (SELA)	October, 2016	Apostolska & Aleksandrovski; Bojovic & Partners; Dimitrijevic & Partners; Kirm Perpar; Zuric i Partneri	Bosnia and Herzegovina; Croatia; Macedonia; Montenegro; Serbia; Slovenia
Top Tier Legal Adriatic (TLA)	September, 2014	Debarliev, Dameski & Kelesoska Attorneys at Law; JPM Jankovic Popovici Mitic; Law Office Vujacic; Rojs, Peljhan, Prelesnik & partners; Savoric & Partners; Tkalcic-Djulic, Prebanic, Rizvic and Jusufbasic-Goloman	Bosnia and Herzegovina; Croatia; Macedonia; Montenegro; Serbia; Slovenia

MARKET SNAPSHOT: SERBIA

EU NEGOTIATIONS: TOTAL FOCUS ON STATE AID

Bogdan Gecic
Partner
Gecic Law

As Serbia doubles down on its EU accession efforts, the pivotal role of State aid in a crucial negotiation chapter creates serious challenges for the finalization of country's prolonged privatizations and the continuation of its recently revamped subsidy scheme for foreign and local investors.

Companies contemplating investing in Serbia because of its incentive schemes and its favorable climate for foreign investors ought to be aware of both the general and country-specific risks associated with all forms of State aid. These risks persist irrespective of the nature of the investment; that is, regardless of whether investors opt for a greenfield (building of business operations from the ground up) or brownfield (purchase or lease of existing production facilities to launch a new production activity) investment. This assertion puts State aid rules and the legal requirements for Serbia's accession to the EU on a collision course with a number of incentive schemes currently offered to investors – a "catch-22", it might appear to the oblivious.

Although Serbian spectators are accustomed to a welcoming attitude towards state donations, State aid forms an integral part of Chapter 8 of the EU acquis, broadly described as the Competition Policy. With regard to Serbia, Chapter 8 of EU negotiations has yet to be opened while the harmonization with the EU law is approaching its peak activity. Hence, the EU monitoring mechanisms are already dealing with the matter of Competition on the Serbian market and, inevitably, its State aid schemes. As a result, the European Commission has emphasized the need for Serbia to adjust and align Serbian State aid rules, and – most importantly for the investor – to return any unlawful prior aid.

The reasoning behind the spotlight on State aid in Serbia, as was the case with other Eastern European countries on their path to the EU, lies primarily in the fact that Serbia followed the trend of supporting domestic companies through grants without a sound economic plan, while presumably using said companies as social welfare distribution channels. Today, with Serbia well on track to join the EU, such aid schemes become particularly

Tatjana Sofijanic
Associate
Gecic Law

important from the perspective of the planned privatizations of the Serbian "crown jewels": the 11 large state-owned enterprises that hold particular strategic importance for the Government, as: (i) Serbia adopted its State aid rules in 2010, prior to finalizing its transition process, making any and all aid granted from 2010 onwards subject to inspection by competent authorities tasked with assessing and ensuring its compatibility with Serbian national law and applicable EU regulation; (ii) in cases where the aid is found to be illegal, it would need to be returned, imposing a severe financial burden on potential acquirers of the companies.

In addition, investors need to take into account that Serbia has, both internationally (via a number of investment treaties (e.g. by means of most-favored nation clauses, stabilization clauses etc.) and free-trade agreements) and domestically (through tax holidays (did someone say "Apple"?) and employment subsidies), created a wide net of incentives for local greenfield projects. Similarly, incentives to foreign investors can be easily torn apart before the State aid authorities if not handled with great care and expertise.

Serbia has, as it appears, reached a problematic position. On the one hand, it has a strong strategic, economic, and political interest in finalizing privatizations and attracting new investors, while, on the other hand, its rules on State aid create a strong disincentive for private investors. Consequently, although Serbia is clearly advancing in harmonization of its State aid rules with the EU law, these rules may prove to be the main deterrent for new investors, thus further prolonging the transition process and, paradoxically, hindering its progress towards the EU.

It almost goes without saying, the prevalence of either set of rules depends greatly on the acting forum (even arbitral awards ordering compensation to be paid to an investor do not hold as a sufficient guarantee), while vast know-how and rock-solid argumentation seem to be the key bargaining chip therein.

By Bogdan Gecic, Partner, and Tatjana Sofijanic, Associate, Gecic Law

HOW TO CHANNEL A COMPLAINT ABOUT HARASSMENT AT WORK

Ana Jankov
Partner
BDK Advokati

Serbia's 2010 Anti-Mobbing Act prescribes the procedure for fighting workplace harassment in a detailed manner. Employers are obliged to familiarize all staff members with the anti-mobbing procedure by providing them with an info sheet before they commence work.

A victim of horizontal (peer-against-peer) mobbing can file a lawsuit against his/her employer only if mandatory internal mediation fails to result in an agreement with the harasser. In this mediation, the employer, the victim, and the harasser consensually appoint a mediator, whose role is to propose a solution for the situation. The mediator cannot impose a resolution.

For victims of vertical mobbing (i.e., harassment by a superior), mediation is optional, and they may immediately choose to file a lawsuit against the employer, which can recover from the harasser any damages it is ultimately required to pay the victim.

However, victims keen on preserving anonymity are unlikely to choose one of the paths prescribed by the Anti-Mobbing Act i.e., to initiate mediation or file a lawsuit. Instead, such victims can alert the management about the harassment in other ways, such as through the internal whistleblowing channel that every employer is obliged to implement, or via an employee satisfaction survey.

Anonymous reporting through one of these channels is usually resorted to where there are multiple victims of the same mobbing act or in an environment where employees feel insufficiently protected from potential retaliation. Some victims do not necessarily want to sue for mobbing but instead want the employer to remove the harasser from the work environment. Also, witnesses to harassment who are not themselves victims may want to fight harassment by filing a report to the employer.

If an employee files a harassment complaint through an internal whistleblowing channel, the employer is obliged to investigate the allegations in accordance with its internal whistleblowing by-law, which can entail substantial paperwork. As a minimum, the internal whistleblowing officer is required to prepare a report on the actions the employer undertook following the receipt of the complaint and propose measures for remedying the situation to management.

As part of its general statutory duty to protect employees from harassment, employers are obliged to investigate any allegations of harassment, even if they are made in other ways than through the internal whistleblowing channel.

If the mediation fails but there is reasonable doubt that harassment occurred, the employer has the duty to initiate disciplinary proceedings against the employee. If the employee is found liable for a breach of work duty or discipline at the workplace, the employer can choose among five different measures, depending on the severity of harassment and other circumstances of the case.

As a first option, the employer may dismiss the harasser, in a procedure which can last anywhere from eight days to about two weeks. The employee is entitled to a dismissal warning and a time to respond. The employer may suspend the harasser pending the dismissal procedure, but not for more than three months. During the suspension period, the employee is entitled to a partial salary compensation equal to one fourth of his base salary (one third if he has a family to support).

As a second option, the employer can permanently transfer the harasser to another work location and thus separate him from the victim.

The remaining options include: suspension from four to 30 working days without salary compensation; a monetary penalty in the amount of up to 20% of the employee's monthly base salary, applicable for up to three months; and a warning to the harasser that he will be dismissed without notice if he commits a further act of harassment in the following six months.

By Ana Jankov, Partner, BDK Advokati

SERBIAN CONSTRUCTION INDUSTRY IS BACK ON TRACK

Ivan Gazdic
Head of Real Estate
Bojovic & Partners

Lately, investors have had fairly high expectations for the Serbian real estate market. New and improved real estate and construction regulations, updates to the urban plans, and the announcement of significant projects all indicate that a very interesting period is in front of us.

Serbia moved up 116 spots in the World Bank's global Doing Business 2017 ranking, according to the recent data regarding dealing with construction permits, coming in 36th out of 190 ranked countries.

Recent changes to Serbia's Planning and Construction Act made dealing with building permits faster. The so-called "integrated procedure" for obtaining all necessary documentation for construction, electronically, on a "one stop shop" basis was created. This procedure encompasses all actions in the construction process, from determination of adequate location conditions, through the issuance of the building and use permits, up to the registration of ownership of a newly constructed facility in the Real Estate Cadaster.

The total number of building permits issued from January to November 2016 represented a 21.5% increase over the same period in 2015.

Nevertheless, Serbia is still dealing with the post-socialist right-

Mario Kijanovic
Associate
Bojovic & Partners, Serbia

of-use regime on state-owned land designated for construction. Although conversion proceedings (i.e., converting the right of use on the construction land into ownership, for a fee) are finally being implemented, this process has turned out to be unexpectedly slow, and it seems that a new effort of the Ministry of Construction is required to accelerate it, mainly because the right of use on land no longer serves as a basis for obtaining construction permits. Given that now only ownership on the land (in addition to a long-term lease) serves as a basis for obtaining a building permit, the speed and overall efficiency of the conversion process is therefore crucial.

However, there have been other changes in Serbian legislation that should boost the Serbian real estate market. For example, the registration of real property rights has been improved recently by fresh amendments to the Real Estate Cadaster and Survey Act. The Mortgage Act also underwent significant changes recently, removing many obstacles to its implementation.

From the market perspective, the traditional focus has mainly been on residential and business developments. However, there has also been a growing trend towards the construction of retail parks and shopping malls. This is partly due to the fact that this kind of facility has not been widespread in Serbia in the past and also because it is a growing trend all over Europe.

The market share of major hypermarkets and retail chains in Serbia has been constantly growing during recent years. Additionally, international hotel chains may play an important role in the coming period, given that the market still lacks a significant presence of high-end hotels and hotel chains.

Currently, the biggest construction project in Serbia is the Belgrade Waterfront project: A EUR 3.5 billion residential and business complex in Belgrade. The project is being conducted by the Republic of Serbia and an investor from the United Arab Emirates.

One third of all construction projects in Serbia are located in Belgrade at the moment; consequently, the city represents a driving force behind the country's construction industry. There are several projects planned with regards to renovation of the capital, including the restoration of the city's main symbol, the Belgrade fortress, construction of a new principal bus station and new public garages, the renewal of facades, the extension of bicycle areas throughout the entire city (making bicycles a new form of urban public transport), and other developments of major public areas. With regards to public infrastructure projects, there is an increasing tendency by both state and local authorities to undertake such projects through a public private partnership.

When it comes to residential premises in Belgrade, the asking prices of high-quality projects start from EUR 2,200 per square meter, while mid-range projects usually range between EUR 1,500-2,100 per square meter. The average rent for class A office premises in Belgrade ranges from EUR 15-17 per square meter, and for class B office premises from EUR 11-12 per square meter.

By Ivan Gazdic, Head of Real Estate, and Mario Kijanovic, Associate, Bojovic & Partners

PROSPECTS OF THE SERBIAN NPL MARKET

Natasa Lalovic Maric
Partner
Wolf Theiss Serbia

In the last decade, as a result of the global economic crisis and the accompanying recession, there has been a significant increase in NPL ratios throughout the SEE region. In Serbia, the NPL ratio has been steadily increasing from 2008 onwards, reaching its peak in the third quarter of 2015, when NPLs constituted 22.8% of the total gross loan portfolio in the country. Despite the fact that the NPL ratio in Serbia has decreased by 3% from that time, standing, as of the third quarter of 2016, at 19.5%, the country still has one of the Europe's highest and most persistent levels of NPL stocks, which undermines the stability of its banking sector and the capacity of its banks to undertake new lending.

Yet, in spite of its potential, the Serbian NPL market is still underdeveloped, lacking substantial trade volumes. Unlike the market leaders in the trade of NPLs, Serbia has been restricting cross border transfers of non-performing loans, has been reserving the trade of retail NPLs for banks, and has, for a long time, been reluctant to officially recognize and regulate advanced trade techniques such as sub-participation arrangements and synthetic sales of NPLs, with their associated legal effects.

In response, and in an attempt to overcome these problems, boost development of the local NPL market, and further decrease the NPL ratio, in August 2015 the Serbian Parliament adopted the NPL Resolution Strategy, precisely identifying the means for remedying the impediments for NPL market development and setting out the rules and incentives for improving the applicable regulatory framework.

As a result, by the end of 2016, Serbia had undergone a plausible regulatory reform. Under the amended banking regulations, bank supervision and reporting obligations have been improved, and the rules on the trade of NPLs extended to loans under which payments of interest and principal were not past due for 90 days or more but were nevertheless seen as uncollectable. Tax regulations have been amended so as to facilitate banks' execution of write-offs resulting from NPLs. The new Law on Financial Restructuring has been adopted, improving possibilities

for certain companies in financial distress and their creditors to amicably redefine their relationships and move towards resolving debtors' financial crises. The Serbian Banking Association has adopted the INSOL Principles to provide national guidelines for restructuring distressed clients.

The regulatory reform has continued in 2017. The year started with the adoption of the Law on Valuators of Immovable Assets, designed to prevent banks from further accumulating NPLs by extending loans to ineligible borrowers based on over-valuated collaterals, which was a common practice in the past. As of July 2017, banks are to become officially entitled to engage in synthetic sales of NPLs and able to properly reflect transfer of credit risks arising thereunder in their books. Most importantly, liberating the regime applicable to trade of retail NPLs has been set as a goal for the year end. While it is uncertain in which manner and to what extent this trade will be unhampered, the establishment and operation of the so-called non-depositary institutions that would be entitled to trade retail NPLs is largely anticipated. These institutions would not hold banking licenses, but would be under the supervision and scrutiny of the National Bank of Serbia. This option is also strongly supported by the major international financial institutions. The announcement of the anticipated liberation of the trade of retail NPLs has, though, raised concerns among customers; as a result, assurances have been given by the National Bank of Serbia that retail borrowers will retain the rights and protection provided to them under the Law on Protection of Consumers of Financial Services.

With the total volume of NPLs of approximately EUR 3 billion and continuous regulatory reforms aimed at improving the sphere of trade of NPLs, Serbia is expected to soon become the next "hot market" in this industry.

By Natasa Lalovic Maric, Partner, Wolf Theiss Serbia

PUBLIC-PRIVATE PARTNERSHIPS IN SERBIA: A NEW HOPE

As a developing country with limited resources, Serbia is inclined to use public-private partnerships (PPP) to improve its infrastructure and increase the quality of public services. A well-structured PPP project often represents a source of revenue, as the private partner is in most cases obliged to pay a concession fee to the state. Despite this, Serbia has yet to complete a single successful major PPP project; however, recent regulatory amendments provide new hope that the country and foreign investors may finally tap into this lucrative market.

Nikola Aksic
Partner
Gecic Law

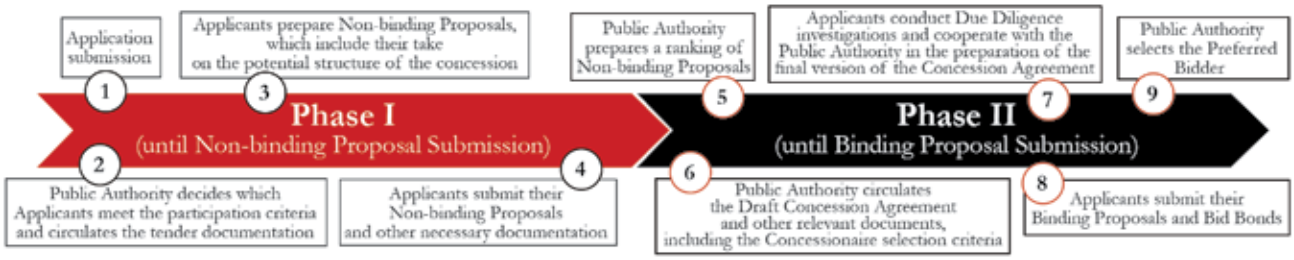
There are various possible types of PPP projects, ranging from local transportation services to large motorway concessions. In this article we deal with the framework for high-value concession projects that was recently amended by the new Decree on Concession Granting in Phases that was adopted in the wake of the public call for the concession project of the Nikola Tesla Airport in Belgrade. Serbia has introduced a new concession-awarding procedure that is meant to increase the collaboration between the public and private partners that should give private partners a bigger say in relation to the structuring of the concession. It is hoped that the new awarding procedure will provide a regulatory framework that can finally facilitate successful implementation of high-value concession projects in Serbia.

All procedures for the awarding of high-value concessions are complex, and describing them in detail goes beyond the scope of this article. However, in order to at least outline this new procedure, we have presented its most important elements and milestones in the diagram below:

As evident from the diagram, the concession is awarded in two phases. In the first phase potential private partners submit a non-binding proposal; i.e., they describe their preferred concession model in relation to the proposed subject of the concession. The second phase resembles a standard public procurement procedure used for complex, high-value projects. The process ends with the submission of a binding proposal and the selection of the preferred bidder.

Lack of input from potential private partners can often thwart PPP projects. There are strong indications that one of the largest potential projects in Serbia, the concession of the motorway E-763 stretch between Belgrade and Pozega, failed primarily because the state proposed a concession model that was not economically viable. At the same time, the procedure was not flexible enough to allow bidders to amend the existing model and suggest possible alternatives.

The new concession-awarding procedure explicitly prescribes constant back-and-forth communication between the two sides, including extensive consultation on the concession model and other key aspects of the project. This potentially game-changing



breakthrough in the concession-awarding procedure provides a glimmer of hope for future projects.

It remains to be seen whether the Government will have the capacity to fully understand and embrace the needs of the private sector when developing a concrete concession model, especially when dealing with the most critical component thereof – the allocation of risk. The Government to this point has been reluctant to take on any form of risk associated with a project, preferring instead to transfer all potential risks on to private partners. One potential explanation for this revolves around the insufficient administrative capacities of the Government to handle complex projects that are purely commercial in nature, which creates a defensive barrier to entry by the private sector. There are clear indications, however, that the Government has become increasingly aware of this fact and has made a significant effort to improve its relationship with private partners by bringing professional advisers on board during the early stages of project planning and development.

It is clear that concessions and PPP in general represent untapped sources of growth, but it remains to be seen if the Government and private investors are finally prepared to turn that potential into reality. The local legal industry definitely stands ready to do its part of the work.

By Nikola Aksic, Partner, Gecic Law

REORGANIZATION PROCEEDINGS IN SERBIA AND ROOM FOR IMPROVEMENT

Milan Lazic
Partner
Karanovic & Nikolic

Reorganization was introduced in Serbian bankruptcy legislation in 2010 and is very often used to restructure claims, as it provides an opportunity for a debtor to continue operating if the settlement proposed through a reorganization plan is more favorable to creditors than liquidation. A reorganization plan may be filed either in bankruptcy proceedings or as a prepackaged reorganization plan (UPPR). However, judicial unfamiliarity with complicated commercial and financial issues and an unclear legal framework often hamper an effective administration of the process.

Reorganization in Serbia is a court-administered process, but creditors have the final say, as the plan will be adopted only if the majority of creditors in each class (formed for the purpose of voting) support it. Serbian Bankruptcy law provides bankruptcy judges with significant authority to ensure the legality of reorganization proceedings. Still, even though it is a court-administered process, the outcome of it – i.e., an adopted reorganization plan – is essentially a financial document that affects how the future business of the reorganized company will run and how debts with existing creditors will be settled. So the main challenge

Milica Savic
Attorney at Law in cooperation with Karanovic & Nikolic

for judges is understanding the financial aspects of the reorganization plan. Unfortunately, because judges are often unprepared and ill equipped to understand complicated financial and commercial matters, they rarely perceive which tools from the existing legal framework would be the most adequate. This is why they are often reluctant to use certain tools to effectively examine the reorganization plan and all of its implications. For instance, no judge has ever yet held a special hearing allowing the creditors to discuss the plan and elaborate their objections to its provisions. In practice, this has led to a mere outvoting contest between the supporters and opponents of the plan.

Other difficulties experienced by judges stem from the existing legal framework on reorganization in Serbia, which is still undeveloped and imprecise and sometimes untested in practice. For example, the most controversial issue in every reorganization process is the treatment of disputed claims when it comes to voting. The rule is that creditors with disputed claims may not vote for the reorganization plan. However, they are entitled to request from the judge an assessment of the value of their claim for the purposes of voting. It is not clear whether the judge is supposed to assess their claim by himself or is to engage an expert on this. In practice this has often led to disputed claims not being assessed for the purposes of voting at all.

Another controversial issue is "cramdown." The term cramdown derives from the US bankruptcy system, and it is usually defined as involuntary imposition of a reorganization plan over the objection of some classes of creditors by – for instance – reducing their claim to such an extent that they cannot outvote other creditors from the same class and prevent reorganization. In Serbia, this is used by authors of the plan when they do not tailor the classes of creditors according to the basic principle of reorganization (more favorable settlement of creditors compared to liquidation) but in order to achieve the plan's adoption at all costs. The main challenge for the judges is to recognize when there is a cramdown in place. Improving the financial skills of judges would increase their understanding of this issue and ultimately allow them to prevent its misuse.

To conclude, the lack of special skills needed for comprehensive review of proposed terms and measures for reorganization often limits judges only to reviewing reorganization plans from a legal perspective, making them hesitant about observing them from a commercial and financial point of view. This leads to the adoption of infeasible reorganization plans that only postpone the inevitable outcome – liquidation in bankruptcy.

As the purpose of reorganization is settlement of creditors through a continuation of the debtor's business, judges need not only to have legal knowledge but also to be equipped with appropriate financial, commercial, and economic skills to understand

when reorganization is feasible and able to ensure a better settlement for all creditors in comparison to bankruptcy proceedings. Equally relevant is for judges to recognize the opposite situation: when reorganization is aimed only at the debtor's survival, without any economic justification.

By Milan Lazic, Partner, and Vedran Ceric and Milica Savic, Attorneys at Law in cooperation with Karanovic & Nikolic

TMT: RIGHT TO PRIVACY VS. THE MEDIA

Uros Popovic
Partner
Bojovic & Partners

Sensationalism – a word that often causes the media to "forget" about the law and ethics and trade them in for greater circulation/ratings. Serbia is not an exception to this phenomenon, unfortunately, especially when it comes to reporting about public figures.

Does a public figure have the right to privacy?

Public figures who deprived themselves of a greater degree of privacy as part of their jobs should definitely expect a lesser degree of privacy than "ordinary" citizens. When deciding whether someone's right to privacy should prevail over free expression, the following main criteria, developed from the case law of the European Court of Human Rights, should be taken into account: a) whether somebody performs a public/official duty; b) whether that person is in a place and/or situation where he/she has a reasonable expectation of privacy; and c) whether the purpose of the reporting is to contribute to a public debate (for example, because it relates to information which appears to conflict with the function which he/she holds) or serves only to entertain.

Additionally, the mere fact that readers/viewers want to know about a public figure's private life is not sufficient justification to publish such information. Furthermore, the fact that something happens outside of a public figure's home does not constitute an adequate reason to disseminate it to a wider public. However, although taking these general rules can be very useful, a unique pattern for all cases cannot be made.

The Serbian Law on Public Information and the Media (LPIM) and the Code of Serbian Journalists are generally aligned with these rules. Although LPIM provides additional criteria when determining which right should prevail, it also has one questionable provision. Namely, it stipulates that the right to freedom of expression should prevail over the right to privacy if an individual, through his/her public statements or conduct in private and professional life, attracts public attention and thus provides a motive for publication of certain information. This does not offer clear guidelines to the media or to the individuals involved about what kinds of "conduct in private and professional life" can attract "the attention of the public."

Tamara Momirov
Associate
Bojovic & Partners

Last year there were several instances of misconduct by different media involving public persons in Serbia, such as severe intrusions into the private lives of deceased actors, among many others. None of the information published had the purpose of contributing to a public debate, per the mentioned criteria.

What to do if your right to privacy is breached?

Individuals who believe their right to privacy has been breached have two ways to claim their rights: (1) To refer claims to the Press Council (the "Council") or the Regulatory Authority for Electronic Media (RAEM), depending on the type of media involved; or (2) to initiate a lawsuit in the Higher Court in Belgrade.

If the Council establishes that someone's right to privacy has been breached, it publicly warns the specific media to cease the actions that caused the breach. The intention is to create some sort of a guide for the media and to prevent them from taking similar actions in the future.

In 2016, more than 1500 cases of misconduct relating to someone's right to privacy were discovered in the Council's annual monitoring of eight newspapers. However, the number of complaints submitted to the Council by the affected individuals was substantially smaller.

The RAEM has the authority to terminate the broadcast of a form of electronic media found in violation of an individual's right to privacy and to revoke its broadcast license.

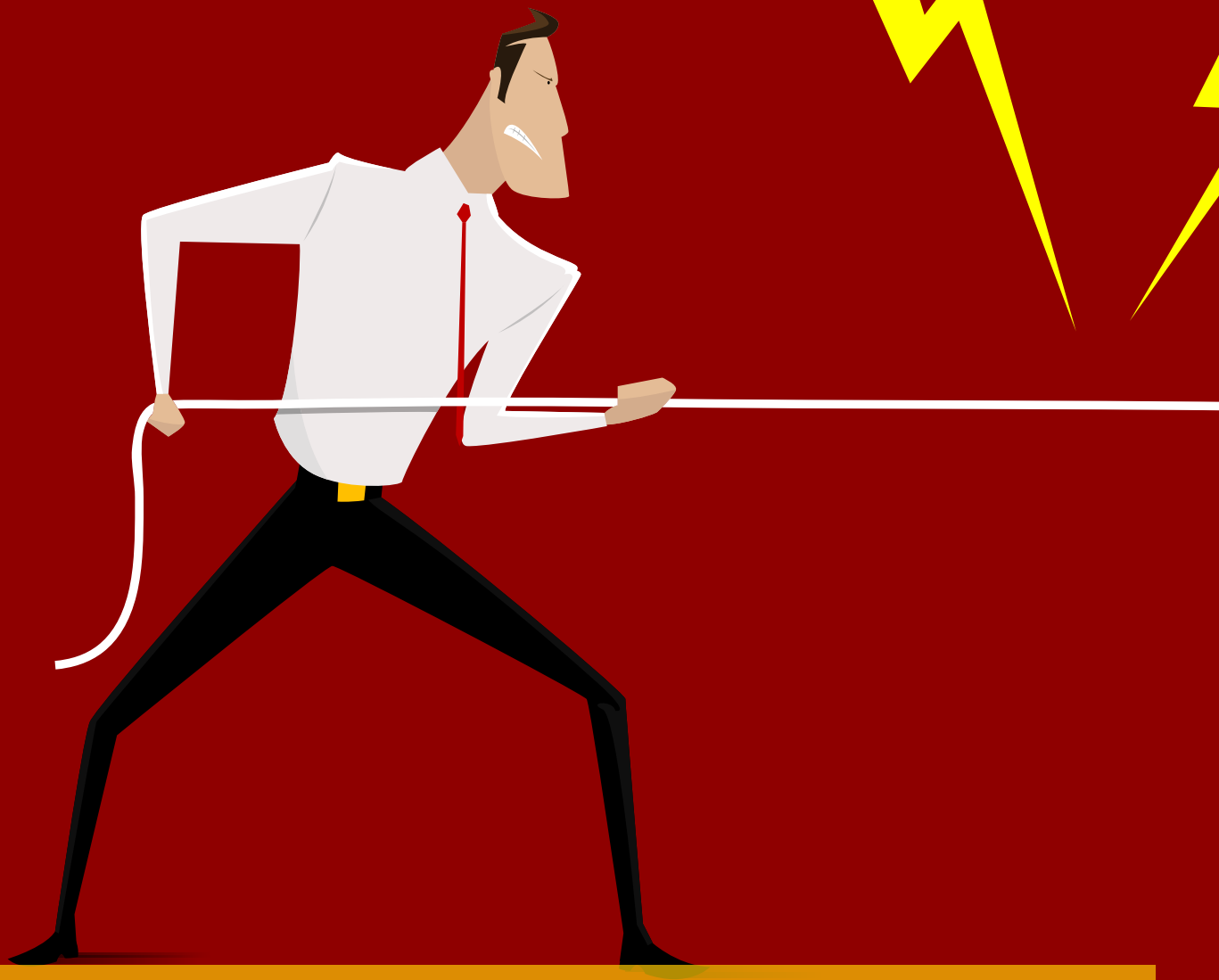
However, it seems that the efforts and sanctions of the Council and the RAEM are not being implemented in the most suitable way, as they have not had the desired impact on the media.

Annually, approximately 300-400 individuals submit a request for non-pecuniary damages due to emotional suffering, violation of honor, reputation, and privacy rights in Serbia. However, the media's financial power must be taken into consideration when imposing a fine. That penalty should not hamper the future business conduct of the company it is imposed on and must be reasonable and proportionate.

Still, a crucial question remains: how far can any type of reimbursement go towards healing emotional pain, repairing a damaged reputation, or compensating for what is often referred to as irreparable damage?

By Uros Popovic, Partner, and Tamara Momirov, Associate, Bojovic & Partners

THE BELGRADE BAR: Discord and Dissent



The Serbian Constitutional Court Rejects Voting Limitations Adopted by Belgrade Bar Association

Introduction

Bar Associations in the former Yugoslavia continue to struggle to accommodate the commercial needs of modern law firms into their traditional models, particularly in the forms of advertising/marketing, the rapid growth of business law firms, and the entrance into their markets of foreign law firms. This struggle, in the past year or so, has played out most significantly in Serbia – and most particularly (and controversially) in the Belgrade Bar Association, which on September 24, 2016, in an attempt to limit the power of larger firms, adopted a new bylaw taking voting and participation rights away from lawyers employed by law firms.

That bylaw was immediately challenged by several leading Serbian firms, and on November 24, 2016, the Constitutional Court of Serbia issued an injunction preventing the implementation of the controversial articles pending its final decision on the matter.

On March 2, 2017, that final decision came down, as the Constitutional Court ruled that the voting limitation was unconstitutional (see Box A). Elections for the Bar's Board, which were repeatedly postponed pending the result have now been scheduled, and we reached out to several candidates for the Bar's presidency for their positions on the controversy and the underlying issues.

Background

The purpose of the controversial voting limitation is not disputed: Tt was designed specifically to counteract the rise of modern law firms. According to Belgrade Bar Association Board Member Aleksandar Cvejic, who spoke to CEE Legal Matters about the limitation when it was still in draft form, "we simply don't want to see a Bar that is owned by a handful of firms." According to Cvejic, "the voting limitation is meant to counterbalance the risk that huge law offices might privatize the board and end up in a situation where a few law offices retain power within it. They have 200-300 lawyers who can vote, which amounts to a considerable say in terms of who ends up in the Board, which could be problematic." In the view of Cvejic, lawyers working under employment contracts at firms are not entitled

Jugoslav Tintor, Partner at Baklaja Igric Tintor

Marija Bojovic, Managing Partner at Bojovic & Partners

Milan Samardzic, Partner at Samardzic, Oreski & Grbovic Law

to full voting rights: "Our position is that if lawyers are Partners, that is fine, but if they are not and are simply employed by a firm, they are not independent, and we believe that is essential to the vote."

Unsurprisingly, many prominent Serbian law firms disagreed with the rationale put forward by Cvejic, with many Partners citing what they believe is a deeper mistrust of the modern legal market by the Board. Nikola Jankovic synthesized that belief succinctly: "We have here an issue of two worlds, one representing an old, conservative, closed society of vested interests and another, new, young, modern, transparent, aspiring, and willing to embrace new trends on the legal market."

Nonetheless, the controversial voting limitation was adopted by the Bar at its September 24, 2016, meeting – albeit in an appropriately unorthodox manner. Initially approved by the assembly in general terms with the understanding that specific elements would be discussed and debated, the voting limitation was then peremptorily declared effective by Bar President Slobodan Soskic – in the words of Karanovic & Nikolic's Dragan Karanovic, "without discussing the amendments and despite the outcry of the lawyers present at the meeting." JPM Partner Nikola Jankovic as well described the adoption procedure as "unprecedented" and "clearly in violation of the required procedural rules."

Inevitably, the provisions limiting voting and participation rights were challenged on constitutional grounds almost immediately after their adoption. On November 24, a temporary injunction against their implementation was obtained, leading the Bar's Board to postpone the elections until the Constitutional Court reached its final ruling.

That decision having now been reached, new elections have now been scheduled for June 10, 2017. They can't come soon enough for Slobodan Kremenjak, Partner at Zivkovic Samardzic Law Office, who expressed his hope that "we will now finally … leave this mess beside us." Kremenjak suggested that "no one really understands what's happening with the Bar at the moment," and suggested that most lawyers find the entire dispute distracting: "Really, we just want to do our work."

Marija Bojovic of Bojovic & Partners speaks in similarly fatigued terms, describing herself as "simply tired of the current Bar issues, as they reoccur from time to time." Still she also suggested that "at the end of the day, the Bar needs to realize that law firms are needed to further a market/economy," and pointed out that many of the loudest voices in the Bar at the moment "might not even speak English."

Samardzic Oreski & Grbovic Partner Milan Samardzic believes the eventual outcome may actually be productive: "The recent conflict between the Belgrade Bar Association and [leading law firms] has actually rallied corporate law firms together, to bring about much-needed change on both a personal and systemic level."

Two Candidates for the Bar Speak Out

Jugoslav Tintor, Partner at Baklaja Igric Tintor, is one of nine standing candidates for Presidency of the Bar (along with Veljko Vukotic, Mira Mosurovic, Vladimir Gajic, Zora Dobricanin Nikodinovic, and Goran Ninic, as well as current Board members Nebojsa Avlijas and Dragan Brajer, and current Bar President Slobodan Soskic). He suggests that the actions of the Board, both in maneuvering towards the articles' adoption and then in repeatedly delaying the elections pending the Court's final decision may be less about ideology than about self-preservation. According to Tintor, "acting President Mr. Soskic and members of the Governing Board are creating conflicts and tensions among lawyers in order to distract attention from the fact that there are no results of their work. Unfortunately, instead of focusing their activities on the Bar, they only initiated court procedures in an attempt to present their personal conflicts as a way of protecting and preserving the profession."

Tintor makes little attempt to hide his frustration, characterizing the current Board as "a small group of people [who] suspended the legitimate functioning of the Belgrade Bar, their only concern being to preserve their position in the Bar leadership." He says: "Today, their biggest problem is the fact that lawyers do not support them. They are aware of that fact, so they choose

Constitutional Court Announcement (in translation)

"In today's session, the Constitutional Court of Serbia has reached a decision regarding the disputed articles of the Statute of the Belgrade Bar Association (Article 34 section 2, section 4, pertaining to "other gathered data" and section 5), which prohibit practicing lawyers who are part of law firms in any capacity other than partner from voting or taking office in the Belgrade Bar Association, that they are not in accordance with the Constitution and the Law."

to postpone elections, using various explanations and excuses."

Tintor notes that the disputed Article 34, which introduced the limitations of the voting rights, was "in favor only to current leadership." His candidacy is animated in part by his belief that "all members of the Bar should have equal rights."

Zora Dobricanin Nikodinovic, another candidate for the Bar Presidency, says she also "strongly disapproved [of] the idea that lawyers should take away the right to vote from other lawyers," and describes Article 34 as "an unacceptably discriminatory provision, which does not belong in the Statute of lawyers, since our mission is to be human rights guardians." Still, she feels the Constitutional Court's participation in the process was both unfortunate and, perhaps, unnecessary: "I think it's a shame that any court, even the Constitutional Court, governs relations in the Bar Association. I believe we have the capacity to resolve all the issues inside our Bar."

Nonetheless, Nikodinovic shares Tintor's frustration with the current leadership, noting that the fact that new elections were repeatedly postponed, and only finally set for June 10 several weeks after the Constitutional Court's decision, makes it "obvious that actual management of the Belgrade Bar Association is determined to keep their already unlawful positions at any cost for as long as possible."

In Nikodinovic's opinion "it is necessary to avoid the present situation where the President and the Board are alienated power centers, who exist only for themselves, but not for their members." She says that "we should restore powers alienated from lawyers during the past decade. I believe that members of the Belgrade Bar Association have huge intellectual potential, so we should focus on what is uniting us rather than what is separating us."

According to Nikodinovic, the disputed provision limiting law firm partnerships to only one member of the Board was unnecessary to begin with: "According to estimates there are no more than 500 lawyers in law partnerships, which is not that significant considering that there are more than 4000 lawyers registered in the Bar Association of Belgrade." Indeed, she says, "the real problem" is the consistently low turnout of eligible voters in elections. "We would be pleased if 1300 lawyers come out to the elections," she says, noting that the Belgrade Bar Association claims a membership of about 4300. "Obviously, that is a very small number of voters."

In Nikodinovic's opinion, the fight over voting rights distracts the members of the Belgrade Bar Association from the real dangers facing them. Nikodinovic says that "large law firms are not the threat, but foreign law firms are. The current leadership of the Bar Association of Belgrade is allegedly fighting against law partnerships, while at the same time they are silently letting foreign law firms take over a serious part of the best paid jobs."

[Current Bar Association President Slobodan Soskic and Serbian Bar Association President Dragoljub Djordjevic did not respond to our attempts to reach them for this story.

Thank you to Viktor Prlja of Prlja-Zilovic for providing the translation of the Constitutional Court Announcement].

David Stuckey

Nikola Jankovic, Managing Partner at JPM Jankovic Popovic Mitic

Slobodan Kremenjak, Partner at Zivkovic Samardzic

Zora Dobricanin Nikodinovic, Partner at Advokatska kancelarija Zora Dobricanin Nikodinovic

INSIDE OUT:

Wolf Theiss, AP Legal, and Harrisons Play Key Roles in The EBRD's December 2016 Dinar-Denominated Bond Issuance

Isabelle Laurent, Deputy Treasurer & Head of Funding at the EBRD and Zoran Petrovic CEO of Raiffeisen bank a.d. Berograd.

The Deal: On December 8, 2016, CEE Legal Matters reported that Wolf Theiss had advised the EBRD on its issuance of RSD 2.5 trillion Floating Rate Bonds due December 2019. AP Legal advised Raiffeisen Banka A.D., Beograd, acting as underwriter for the issuance, and Harrisons advised marketing agent Citigroup Global Markets Limited.

The issuance – which was denominated in Serbian dinar, listed on the Belgrade Stock Exchange (BELEX), and governed by Serbian law – was the first by an international financial institution in Serbia.

We reached out to several of the individuals involved in the deal for information.

The Players:

- **Wolf Theiss:** Milos Andjelkovic, Senior Associate
- **AP Legal:** Aleksandar Preradovic, Managing Partner
- **Raiffeisen Banka A.D., Beograd:** Dusan Mitrovic, Head of Legal
- **Harrisons:** Ines Matijevic, Consultant, Head of Finance and Capital Markets Group

CEELM: How did you each become involved in this matter? Why and when were you selected as external counsel initially by your clients, and Dusan, why did Raiffeisen reach out to AP Legal?

Wolf Theiss: Our firm had worked with the EBRD in the past. We successfully pitched for this particular mandate and so were involved in the bond issuance process from the very beginning.

AP Legal: We have a long history of working with Raiffeisen Banka Beograd on various types of transactions. I believe that our successful cooperation in the past as well as our previous experience with IFIs and knowledge of IFI expectations when it comes to the form and content of transaction documentation and transaction management were the key factors why Raiffeisen Banka Beograd decided to instruct us in this matter.

Raiffeisen: Raiffeisen bank chose AP Legal based on its track records; i.e., Mr. Preradovic's experience and knowledge in banking and finance. We have cooperated in the past and we as a bank respect his work very much. The quality of his work and the price for it are more than favorable. Our working relationship was excellent.

Harrisons: Citigroup is a long-standing client of Harrisons – Harrisons actually helped Citibank NA set up its operations in Serbia by establishing a representative office in Belgrade. We regularly advise Citi concerning various aspects of the Serbian legal regime, from purely banking and financing-related matters to day-to-day operational issues like employment-related issues. So it was natural that when Citi needed assistance from local lawyers on this project they approached Harrisons.

CEELM: What, exactly, was the initial mandate when you were retained for this project (as compared to the final result)?

Wolf Theiss: As issuer`s counsel, we were mainly responsible for the drafting of the prospectus for the public offer and listing of the bond and the handling of the proceeding for the approval of the prospectus by the Serbian competent authority.

AP Legal: Our initial mandate was provision of customary capacity and enforceability legal opinion on transaction documentation for the benefit of Raiffiesen a.d. Beograd.

Harrisons: At the beginning, Citi was contemplating acting as Marketing Agent both in Serbia and abroad, and it was exploring the possibility of acting as a co-underwriter as well (although this idea was abandoned at a very early stage of the process).

CEELM: Who was on your teams, and what were their individual responsibilities?

Wolf Theiss: The Wolf Theiss team consisted of me and Associate Nevena Skocic, from Serbia, and Partner Alexander Haas and Associate Nikolaus Dinhof in Austria.

The Serbian team was responsible for providing feedback on Serbian law requirements, communicating with the regulatory bodies on the ground, and getting all the necessary documents through, while the Austrian team provided much-needed insight into international practice for this type of transaction and practical suggestions for possible solutions for many administrative hurdles that inevitably show up on a milestone transaction such as this.

AP Legal: The AP Legal team consisted of myself and Ms. Aleksandra Jovic. My primary responsibility was drafting the transaction agreements governed by Serbian law and coordinating with our client and the legal teams of the other participants in the process. Aleksandra's responsibility was reviewing and input on the drafting of transaction documentation (including the prospectus and listing application) and providing ongoing regulatory legal advice on certain aspects of the transaction.

Raiffeisen: Raiffeisen's Treasury department was in charge of the commercial part of the business. I was in charge of legal issues and coordinated with AP legal.

Harrisons: Harrisons was represented by Jovan Cirkovic and me. We followed the process from the initial structuring phase to the finalization of the bond issuance.

CEELM: How was the issuance structured, why was it structured that way, and what was your role in helping it get there?

Wolf Theiss: The EBRD is the first multilateral lender to raise funds on the local market in dinars. This first bond from the EBRD in the Serbian currency is a three-year floating-rate issue that pays interest at the three-month Belgrade Interbank Offered Rate (Belibor) plus 0.4 percent. The bonds are governed by Serbian legislation and will be traded on the Belgrade Stock Exchange.

We are proud that our team was leading counsel on a transaction of this magnitude and that it was our team's legal advice and effort that helped get this deal through.

AP Legal: In addition to the role of underwriter (in Serbian pokrovitelj emisije) in the sense of Serbia's Capital Markets Act, Raiffeisen's role in this transaction was calculation and paying agent of the issuer. In that capacity Raiffeisen was responsible for: (a) settlement and registration of the bonds with the Central Registry of Securities on the issue date; and (b) calculating and making payments relating to the bonds. Finally, Raiffeisen also acted as the listing agent of the issuer responsible for making the application for admission to trading

Milos Andjelkovic

of the bonds on the prime market of the BELEX. The scope of Raiffeisen's role in the transaction was agreed with the issuer prior to the commencement of our engagement.

Harrisons: Citigroup Global Markets Limited acted as Marketing Agent in the transaction.

CEELM: What was the most challenging or frustrating part of the process?

Wolf Theiss: Since this was the very first supranational bond issuance in Serbia, the most challenging part of it was to implement international standards that the market expects the EBRD to meet. Lack of any previous practice in Serbia that could be used as a guideline was at times challenging. However, since our Vienna team has had ample international experience in similar transactions, they were able to provide suggestions on how to deal with every issue we encountered in the process.

AP Legal: Taking into consideration the special status of the issuer as an international financial institution and its specific requirements when it comes to the form and content of the contracts and other documentation related to the bond issuance (including those related to disclosure) the most challenging part of the process was to get to the point when the entire set of transaction documents was fully aligned among all participants in the process. This line of work required a lot of interaction with competent local authorities and institutions. I would like to emphasize the very pro-active and constructive role of the Securities Commission, Central Registry, and BELEX, which significantly contributed to successful realization of this precedent transaction on the local market.

Raiffeisen: Dealing with the State Authorities (the Tax Authorities, Security and Exchange Commission, etc.). Due to the strict regulations relating to the deal and specific wishes of the EBRD, the most frustrating part was fulfilling legal requirements and the EBRD's wishes at the same time. The EBRD has its own internal rules, which were not 100% aligned with Serbian legislation. The EBRD did not want to drop its internal regulations, which is normal. So, it was an issue for us to fulfill both EBRD's wish not to break its internal regulations and that everything be in line with the Serbian legislation at the same time. This was a challenge for us as well as for the EBRD's legal counselors.

Harrisons: We believe that Wolf Theiss and AP Legal are better positioned to answer this and the following question bearing in mind our (and Citibank's) to some extent limited involvement in the process, but we would say that being the debut issue of debt securities by a supranational in dinars on the Serbian market, the issue had to set the path/precedent for many aspects of the transaction. As Serbian regulations are not always crystal clear there were a number of ambiguities that had to be resolved during the process. This required close collaboration from all participants in the process, from the EBRD and Raiffeisen bank and their advisors on one side to the Serbian Commission for Securities and other regulators on the other side. This process was not always easy and smooth and faced hiccups from time to time.

CEELM: Was there any part of the process that was unusually or unexpectedly easy?

Wolf Theiss: Serbian administration is known to be, at times, conservative. However, due to the exceptional importance of this transaction for the Serbian market, we encountered nothing but support, cooperation, and openness from the administrative bodies involved, starting with the Securities Commission.

AP Legal: Generally, for the reasons stated above the transaction was quite complex and challenging. In my opinion agreeing on the contractual documentation related to the issuance with the client and other counterparties was probably the easiest part in the process.

Raiffeisen: Preparation of the documentation in cooperation with AP Legal was the easiest part of the job.

Harrisons: No.

CEELM: Did the final result match your initial mandate, or did it change/transform somehow from what was initially anticipated?

Wolf Theiss: In comparison to the initial mandate, the final scope of our work included much more administrative work

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WE TRANSLATE LEGAL TO BUSINESS

Aleksandar Preradovic

than initially expected. The difference arose due to the fact that the draft of prospectus that we prepared and that was approved by the EBRD and Raiffeisen significantly differed from the documentation that was deemed as "standard" in the Serbian market so far. Consequently, certain points of the EBRD's prospectus had to be explained to the authorities, which required somewhat extensive communication. This communication was helmed by Raiffeisen, as was understood from the beginning, but together with them we soon came to realize it would be more efficient if we were to be involved, since we had the most comprehensive understanding of the documentation. This is where our mandate went out of the original scope.

AP Legal: As the overall transaction structure turned out to be more complex than initially anticipated by the client our mandate evolved to drafting key transaction agreements governed by Serbian law (the subscription agreement, calculation and paying agency agreement, mandate letters, and powers of attorney), assistance with the drafting of other transaction documents (e.g., the prospectus and applications for listing of the bonds on BELEX, etc.) and providing ongoing legal advice as to various legal aspects of the transaction.

Harrisons: As a result of restrictions imposed by Serbian capital markets regulations and after discussions both with the EBRD as issuer and its advisors and with the Serbian Securities Commission, it was decided that Citigroup Global Markets Limited would act as Marketing Agent only outside of Serbia, in a limited number of countries which were of interest to the issuer.

CEELM: What individuals at your clients instructed each of you, and how would you describe your working relationship with them?

Wolf Theiss: We were directed by Ajay Sud and Joan Grogan, both Senior Counsels at the EBRD, and Isabelle Laurent, the EBRD's Head of Funding, who are exceptional professionals with vast experience in this type of transaction. They were involved in every step of the process and their support was crucial in getting the deal through. The preparation of the transaction lasted for months (and even that was only made possible by Ms. Laurent's work of many years to model the Serbian legislative framework). During this time we were in daily communication, which was the only way to reach the successful closing.

AP Legal: Our primary point of contact was Mr. Dusan Mitrovic, Head of Legal Division at Raiffeisen Banka Beograd. We also worked closely with Mr. Milan Milekic and Mr. Joko Lolo Tomic from Raiffeisen's investment banking and treasury division. All members of our client's team showed great dedication to the project. I would describe our overall working relationship with Raiffeisen's team as excellent.

Harrisons: As is usually the case when working with Citigroup, with whom we have a longstanding and strong rela-

Dusan Mitrovic

Ines Matijevic

tionship based on mutual trust, we had an excellent relationship with the Citigroup team working on this deal, involving smooth correspondence, precise instructions, and openly sharing ideas regarding the project.

CEELM: How would you describe the working relationship with your counterparts on the deal?

Wolf Theiss: During the process we had very little direct communication with Harrison Solicitors and AP Legal. Harrison Solicitors mostly dealt with the marketing aspect of the transaction, which did not significantly overlap with our scope of work. We had a lot of communication with Raiffeisen Banka Beograd, including quite a few meetings; although we are aware that they received significant support from AP Legal, we did not have many chances to interact with them directly.

AP Legal: The legal teams of Wolf Theiss and Harrison Solicitors involved in the transaction showed great dedication and a high level of professionalism. I would describe our overall working relationship with them as excellent.

Raiffeisen: Excellent, especially with the client's legal counselors – both internal and external. We understand each other very easily.

Harrisons: Bearing in mind the limited role Citibank took in this transaction as Marketing Agent, our work on this transaction was also to some extent limited in scope. This being said, we had great cooperation with both Wolf Theiss and AP Legal on all aspects of the transaction to the extent relevant for the role Citigroup was taking in this transaction. They, and in particular the Wolf Theiss team who had the most difficult task of bringing together the requirements and needs of EBRD as the issuer and boundaries imposed by Serbian regulations seemed very knowledgeable and focused on the transaction. They acted proactively on all matters involving Citigroup.

CEELM: How would you describe the significance of the deal?

Wolf Theiss: As mentioned, this deal was very important for Serbia: with more than 70 percent of its borrowing in foreign currencies, mostly in the euro, Serbia has one of the highest levels of foreign currency borrowing among all of the countries the EBRD works with. This exposes unhedged borrowers to significant exchange rate risks. The dinar bond, which will allow the EBRD to lend in dinars to domestic borrowers, is in line with the efforts of the National Bank of Serbia to tackle the high levels of euro-ization and increase the availability of dinar financing (dinarization).

The EBRD will be able to lend the proceeds from the 2.5 billion-dinar bond to domestic borrowers who can take on the debt without fear of foreign exchange risk. This was an important step aimed at strengthening the Serbian capital market with the first issue of a supranational bond in Serbian dinars and will also increase the EBRD's ability to lend to the Serbian economy in the local currency and thus contribute to the dinarization of Serbian finance.

AP Legal: Notwithstanding the relatively small volume of the issuance, this precedent-setting transaction represents a significant achievement for all participants in the process. I believe that this deal will further enhance the position of Raiffeisen Banka Beograd as one of very few banks on the local market which are capable of providing underwriting, agency, and other related services to other IFIs and DFIs which are contemplating issuing RSD-denominated debts securities on the Serbian market. The deal is also significant to the Serbian economy, as it will provide Serbian companies and municipalities with access to new sources of funding in local currency.

Harrisons: As the first issuance of its kind in Serbia, the issue of a supranational bond in Serbian dinars will hopefully assist in the development of Serbian capital markets and help, at least to some extent, dinarization of the Serbian financing market. There are also hopes that it will foster development of the Serbian debts securities market in general as the bond is admitted to trading on the Belgrade Stock Exchange. As for Citigroup, it underlines their continued commitment to Serbia.

David Stuckey

EXPERTS REVIEW: COMPLIANCE

Corporate compliance – the monitoring of compliance by an organization and its employees and representatives with applicable legal and regulatory requirements, as well as the creation and implementation of internal policies and procedures by organizations to minimize risk and ensure ethical behavior by their employees and other representatives – is a hot topic these days. Thus, the time is right for it to make its first appearance in Experts Review.

And what better way of organizing the Experts Review articles in this issue than listing them in order of highest spots of elevation in each country? Thus, Russia's article comes first (as Nepal does not yet qualify as part of CEE), and Hungary's comes last – but only because a number of CEE countries, including the Baltics and Belarus, failed to contribute to Experts Review this issue. Otherwise, Lithuania, which soares to 294 meters in the sky, would be last.


LIANCE

Russia

Key Compliance Risks of 2016: Information Security


Anna Maximenko

In recent years information security issues have become extremely important for companies in Russia and around the world. For example, in 2015, almost 300 million U.S. dollars were stolen from more than 100 banks and other financial institutions throughout the world. By the middle of 2016, FinCERT, the Russian system of monitoring of cybersecurity incidents in the financial sphere, had registered 21 targeted attacks aimed at thievery of approximately 2.87 billion rubles (approx. USD 48 million). In addition, during 2016, major Russian banks such as Sberbank, Otkritie, Alfa-Bank, VTB, and Rosbank suffered massive DDoS attacks.

These incidents attracted the attention of the state, and as a result Russia has prepared several high-level documents on information security. These documents include the draft Convention on International Information Security and the draft Concept of Cybersecurity Strategy of the Russian Federation. More specifically, the Bank of Russia, in response to cyberattacks on banks, announced its intention to apply enforcement measures to banks with a low level of information security.

However, despite the acts of the regulator and the losses caused by breaches of information security, many companies still pay little attention to information security and take action only after an information security incident has occurred.


Elena Klutchareva

In Russia each company is free to establish the key elements of its information security system. Accordingly, a company will assess its risks with consideration for its business strategy and goals and then match these risks with the legislative or contractual provisions applicable to the company's business to determine the principles, purposes, and requirements applicable to its information processing. The general standards and guidelines adopted by the Federal Agency for Technical Regulation and Metrology and specific CBR standards applicable to banks provide that an effective information security system includes, among other things, adoption of an information security policy and implementation of an information security compliance system.

The information security policy is crucial for a company that wishes to comply with best compliance practices. It can be adopted either as part of a general security policy or as a separate document. It should be approved by a company's chief executive officer and communicated to its employees and counterparties. The information security policy must cover both general issues (like defining information security and its purposes) and specific issues (like the rights and duties of a company's employees in the sphere of information security and liability for information security violations). A company should review its information security policy on a regular basis and update it, if necessary – for example, if it intends to launch a new business line. In addition, regular training on its substance and processes should be organized.

In line with the information security policy a company should adopt some additional documentation on the topic and amend its existing standard forms of agreements. A company should have procedures for information sharing about the risks of security breaches, for example, for how to take action in response to information security incidents, investigation of information security incidents, and how to collect relevant evidence. Job instructions for employees as well as employment agreements should contain provisions on information security compliance, including post-termination undertakings. Similar obligations should be imposed on counterparties.

An effective information security compliance system includes regular checks on the status of information security and review by independent specialists who are not involved in maintaining the company's information security. A company should ensure that information security requirements are observed by their employees and their counterparties and recognize that possible breaches may create serious reputational risks.

A company's information security compliance system may be further reviewed by the regulator. In 2017 the Bank of Russia has announced that it will check the safety of and introduce compulsory regulation and certification of remote banking services intended for both individuals and legal entities. Particular measures and requirements are still under development.

Anna Maximenko, International Counsel, and Elena Klutchareva, Associate, Debevoise & Plimpton Moscow

Turkey

Comparison Makes Perfect: Turkey to Allow Comparative Advertisements in 2018

Introduction – Eager to Compare


Doene Yalcin

It would not be unreasonable to suggest that most developments in commercial markets occur as a result of competition between participants and manufacturers of similar products. From an end-user's perspective, it is always easier to recognize products and/or make comparisons between products on the basis of specific brands/trademarks.

However, for an ordinary customer/end-user, who often does not have the ability to try out and then pick and choose from a wide array of products, advertisements would be a primary source of

information allowing them to compare (at least) the fundamental differences between the options on the table and make an educated decision.

In Turkey, companies are prohibited from referring in advertisements to actual brands that their own products are competing with. However, the rules about what information advertisements can legally provide in comparing products to those of competitors in the market are changing.

Legal Developments

On January 10, 2015, the Regulation on Commercial Advertisement and Unfair Commercial Practices entered into effect in Turkey, allowing enterprises to use their competitors' commercial title and trademark in their own advertisement for comparative purposes. The effective date of the provisions regulating the principles of such competition was initially set for January 10, 2016, and then postponed to December 31, 2016. The basis for such postponement has not been specified.

Further, by virtue of a regulation published on January 4, 2017, the effective date of Article 8 was again postponed, this time to January 1, 2018, and certain amendments to the principles were introduced as well.

Principles

According to that January 4 regulation, the following principles will apply to comparative advertisements:

a) Enterprises may engage in comparative advertisement provided that:

- such advertisements are not deceptive and misleading;
- such advertisements do not lead to unfair competition;
- the goods and services that are compared satisfy the same needs or serve the same purpose;
- only issues that are relevant to the customer are made subject to comparison;
- the advertisements objectively compare one or more characteristics, including price, of the goods and services which are tangible, essential, justifiable, and typical;
- comparative claims are based on objective, measurable, or numeric data evidenced by scientific tests, reports, or documents;
- such advertisements do not disparage or discredit the competitors' intellectual and industrial rights, commercial title, business name, other distinguishing marks, goods, services, practices, or other characteristics;
- the competitor's goods and services are from the same geographical origin, to the extent the origin of any goods or services for which comparison is made is stated in the advertisement;
- such advertisements do not lead to confusion between the trademark, commercial title, business name, or any other distinguishing mark, goods, or services of the owner of the advertisement and its competitor; and
- such advertisements are not contrary to principles determined by the Advertisement Board.

b) Names, trademarks, logos, or other distinguishing figures or expressions and commercial titles and business names of the competitors may be included in advertisements, provided that the advertisement in question complies with the conditions set out in paragraph a). It is also possible to refer to the testimonies of persons and/or institutions with respect to such comparative analysis.

c) With respect to food advertisements, issues that fall under the scope of a health declaration under relevant legislation shall not be the subject of comparison.

Only the issues relating to nutritional characteristics may be used as an element of comparison for food advertisements. Comparative advertisements of food supplements are prohibited.

d) With respect to advertisements related to the sectors where price corrections and significant market power obligations are regulated by the relevant administrative authorities, a price comparison shall not be made.

Conclusion

As set out above, efforts to allow competitors to use each other's brands, products, etc., for comparative purposes in advertisements have been made for the past couple of years in Turkey, and it is hoped that the resulting legislation will be effective no later than January 1, 2018, making it easier for end users to pick between competing products.

It is also clear that the applicable legislation makes a distinction between certain types of products, such as foods, healthcare products, and other regulated products in an attempt to minimize any adverse effect on both the market and the end users/customers due to subjective and unlawful comparisons made in advertisements.

Doene Yalcin, Managing Partner, CMS Turkey

Austria

GDPR: Data Protection Compliance in Austria and CEE

Roland Marko

In May 2018, the EU General Data Protection Regulation (GDPR) – which will be directly applicable in all member states – will come into force, harmonizing the data protection regime to a major extent. However, several of the GDPR's opening clauses delegate responsibility for further regulation to national legislators. International companies will thus still have to consider local laws when preparing for GDRP-compliance.

The significant administrative fines are often mentioned as the most striking difference in the data protection regime to be introduced by the GDPR. Indeed, administrative fines of up to EUR 20 million or, in case of undertakings, up to 4% of the worldwide

annual turnover (whichever is higher), will raise privacy offences to the level of competition law infringements in enterprise risk mappings. From a compliance perspective the GDPR particularly stresses the principles of accountability and transparency, requiring organizations to adopt comprehensive governance measures such as privacy impact assessments and to adhere to principles of "privacy by design" and "privacy by default" in certain circumstances. The GDPR also introduces a new data breach notification duty for all industry sectors, and data subjects are given additional rights, including the "right to be forgotten" and data portability rights.

Ultimately, the GDPR will ensure a high level of data protection and minimize the risk of data breaches. In practice, it is likely to mean more policies and procedures for enterprises, due in part to the approximately 70 opening clauses providing member states with discretion to introduce additional national legislation on top of it. The following opening clauses will be of particular importance to compliance organizations:

- Under the GDPR, it will be mandatory to appoint a data protection officer (DPO) for enterprises whose "core activities" consist of processing operations which require regular and systematic monitoring of data subjects on a large scale or of special categories of data. In addition, member states may mandate the appointment of a DPO for additional reasons as well. Therefore, international groups of companies may have to face different DPO requirements throughout the CEE region.

- The GDPR includes a general prohibition on the processing of personal data relating to criminal convictions and offences, unless authorized by European Union or Member State law. Since the processing of personal data in the context of "whistleblowing hotlines" will regularly qualify as "criminal data," the legal framework for whistleblowing will largely depend on national laws.

- The GDPR provides legal standing for non-profit organizations exercising certain legal remedies on behalf of data subjects. The member states may also confer such rights independently of the data subject's mandate, which theoretically may even allow for "class action" concepts in the context of privacy infringements.

- The member states may provide for penalties beyond the already significant fines set out in the GDPR for infringements of the GDPR. Therefore, another layer of administrative fines may have to be dealt with by enterprises on a local law level.

- Finally, the member states may lay down more specific rules to ensure data protection in the employment context. Therefore, national (labor) laws will still be decisive for data processing in relation to recruitment, the performance of employment contracts, and HR management in general.

Austria, the Czech Republic, Hungary, Slovakia, and Slovenia have not yet enacted national data protection rules to accompany the GDPR. In Austria, a draft act of the competent secretary is being reviewed by the coalition party and is expected to be published before summer. While the details are still confidential, an imminent decision of the Austrian Constitutional Court may be significant in this respect: The Constitutional Court is currently scrutinizing the competence of the Financial Market Authority to impose administrative fines of up to 10% of the annual turnover against legal entities. A ruling that the relevant provision is unconstitutional may affect the Data Protection Authority's ability to impose sanctions under the GDPR. In this case, severe fines will need either to be imposed by courts or at least made subject to judicial review.

This only gives a first impression of possible national regulations supplementing the GDPR in CEE. For the time being, it can be stated that excessive use of the opening clauses by national legislators will hinder harmonization and create additional administrative burdens instead. Given the significant fines and the challenging requirements set by the GDRP, enterprises are well advised to start preparing for GDPR compliance as soon as possible. In doing so, international companies will still have to consider peculiarities of local laws, once enacted.

Roland Marko, Partner at Wolf Theiss Austria

Bulgaria

Corporate Control Mechanisms in Bulgaria


Dimitar Stoimenov

As a result of several mid-sized acquisitions in 2016, many foreign companies interested in buying shares in limited liability companies in Bulgaria have faced questions about how the management of such business entities are controlled and what the risks are of detection, after the acquisition, of "hidden liabilities" due to the potentially non-compliant behavior of those companies' statutory representatives with good corporate standards. Good examples of such liabilities are bills of exchange signed on behalf of the company which are not reflected in the company's accounting books or preliminary agreements for the sale of its real estate assets (or any deal which could be considered as such) entered contrary to good corporate practices, corporate policies, or without giving consideration to loss-profit analysis and risk.

Apart from this, investors are interested in how, in the future, the company could be run by the "old management" (in most cases the former shareholders) free of any risk, by establishing different control and other coordination mechanisms within the company.

The most secure option is to follow the example of German businesses by establishing joint-representation of the company. This is done mainly by appointing two managing directors to represent it, and manage it, together. A similar result can be achieved by appointing one managing director who would act severally and one general commercial proxy who would be obliged to seek the consent of the managing director for any transaction that should be concluded by him or her on behalf of the company.

However, as in most cases the second director is not physically present in Bulgaria, this "four-eyes principle" is not generally a very good control mechanism, especially in smaller entities where the management is responsible for the conclusion of many day-to-day contracts and the accomplishment of certain administrative duties, such as hiring personnel and making banking transfers.

Is there any other mechanism that could be used to control the

local management? The answer does not seem to be very encouraging, as there is no way to restrict the representation powers of the managing directors of a limited liability company towards third parties other than to provide a joint representation mechanism.

However, a softer measure could be the introduction of transaction restrictions and coordination mechanisms within the management agreements entered into with the company by the managing directors.

In this way, the company may ensure, by means of a potential sanction of severe contractual penalties, that in the case of a breach of the directors' duties, one director would be liable for not consulting the other or for not addressing certain matters to the shareholder(s) of the company or their representatives. Representatives could also act as external compliance officers of the company. Recent practice shows that especially for law firms the market for providing such external compliance services is growing slowly every day.

Another possible but not very often used control mechanism for shareholders to review the current situation of the company and be notified on all important developments of the business is the establishment of a supervisor within the company.

The supervisor could be a natural person appointed by the shareholders of the limited liability company to be responsible for the correct execution of their decisions, the compliance of management acts with the provisions of the articles of association, and ensuring that the assets of the company are spent properly.

As this supervisor may not be someone employed by the company, this function is usually performed by a representative of the shareholder(s) and is usually a legal controller able to check the books of the company, participate in important negotiations, and/or simply check the contractual documentation that should be undersigned by the managing director of the company.

The supervisor may only be appointed if this is explicitly provided for by the articles of association of the company. There is no burden to provide that the supervisor would also be responsible for other control duties of the shareholders.

Dimitar Stoimenov, Head of the Compliance & Regulatory Practice Group for CEE, Peterka & Partners Bulgaria

Greece

Advertising Compliance: How to Keep Your Marketing Strategies On-Message


Panagiotis Drakopoulos

Prior to building up or transplanting their advertising campaigns in Greece, businesses wishing to acquire a share in the local media market, besides familiarizing themselves with their industry sector through review and analysis of the industry economics, participants, and main competitors, should immerse themselves into the regulatory framework for advertising that will enable them to develop their business plan and marketing strategies most efficiently.


Mariliza Kyparissi

Advertising in Greece is regulated both at a statutory level, by virtue of Law 146/1914 on Unfair Competition, Law 2251/1994 on Consumer Protection, and the Greek Code of Advertising and on a general principles basis. General principles require that all advertisements be true and transparent, with objectivity as a guiding principle, subject to the fact that a large number of transactional decisions are emotion-driven.

Five different types of advertising are expressly regulated under Greek laws: unfair advertisements, misleading advertisements, aggressive advertisements, comparative advertisements, and direct advertisements. Businesses that aim at complying with Greek advertising regulatory standards should definitely refrain from the first three types and be highly cautious when proceeding with the latter two.

Law 146/1914 classifies any advertisement that does not comply with the principles of morality as unfair and classifies any inaccurate public declaration related to the quality, origin, manufacture or pricing of the advertised goods or services that gives consumers the impression of an extremely good offer as misleading – and explicitly prohibits both practices. In determining whether an advertisement is misleading, the law also considers its possible influence on consumers' economic behavior.

Aggressive advertisements fall within the scope of Law 2251/1994, which refers to advertisements that use harassment or coercion (in the form of physical force or undue influence), that significantly impair or are likely to significantly impair the average consumer's freedom of choice, or inappropriate behavior with respect to the advertised goods or services and, thus, lead or are likely to lead consumers to a transactional decision that they would not have made otherwise. Unsolicited phone calls, personal visits to the consumer's private space despite the consumer's request to leave and not return, or refusal to leave the premises until a transaction is made are all examples of aggressive advertisements.

The remaining two types of advertising – direct and comparative advertisement – may be lawful under certain circumstances. Law 2251/1994 permits communication directly to the consumer, but only upon the consumer's express consent. Comparative advertising, for its part, is considered to be a permissible commercial practice as long as it compares goods or services meeting the same needs or intended for the same purpose, is carried out in an objective way, and is based on any material, verifiable, and representative features of the goods or services – such as price. However, the law deprives comparative advertisement of its lawful character where, inter alia, it is misleading, takes unfair advantage of or discredits the competitor's trademark and/or reputation, or intends to create confusion with the competitor's products or trademarks.

Besides the above-mentioned hard-core regulatory framework, the overwhelming majority of illegal and misleading advertising cases are regulated by the Greek Code of Advertising, which basically

incorporates all relevant provisions of the respective code of the International Chamber of Commerce (ICC) and binds all parties involved, namely advertisers, consumers, and the media. While observance of the provisions of the Code is carried out by the Communication Control Council, advertisement control is vested upon the First Instance Control Committee and the Second Instance Control Committee, which are able to issue directly enforceable decisions to be immediately implemented by the media as members of the Council. Any advertisement that is deemed to be in violation of the Code's provisions may be brought before the Committees either ex officio or by a written petition of any third party entitled to do so.

It is, therefore, essential that national and international businesses that aim to market their goods, services, or activities in the Greek market become entirely aware of the respective regulatory landscape governing truth in advertising and marketing and implement internal checklists and formal review processes, including training and clearance procedures by legal counsel, in order to ensure full compliance with the applicable advertising standards and avoid unscheduled downtime, as well as costly lawsuits and civil penalties.

Panagiotis Drakopoulos, Partner, and
Mariliza Kyparissi, Senior Associate, Drakopoulos Greece

Macedonia

Restrictive Agreements and Practices in Macedonia


Ana Stojanovska

Restrictive agreements and practices in Macedonia are governed by the Protection of Competition Act (2010) (the "Competition Act"), which entered into force on November 13, 2010. The Competition Act is entirely aligned with Article 101(1) of the Treaty on the Functioning of the European Union (TFEU) and prohibits agreements between undertakings, decisions by associations of undertakings, and concerted practices which have as their object or effect the prevention, restriction, or distortion of competition in the Macedonian market. Moreover, under the Stabilization and Association Agreement concluded between the EU and Macedonia, EU competition rules can be applied directly in Macedonia in the assessment of the forms of distortion of competition that may affect the trade between Macedonia and EU member states.

The competent authority for the investigating and sanctioning of restrictive agreements and practices in Macedonia is the Commission for the Protection of Competition (the "Commission"). The determination of whether an agreement or practice is indeed in breach of the Competition Act is carried out within administrative proceedings based upon suspicion of a misdemeanor. Additionally, the Criminal Code (1996) foresees personal criminal liability and imprisonment from one to ten years for the legal representatives of a company who have entered into cartel agreements or are involved in such agreements or practices resulting in the generation of substantial profits or causing substantial damages.

The Competition Act automatically treats as null and void all agreements and practices that: (i) directly or indirectly fix purchase or selling prices or any other commercial conditions; (ii) limit or control production, markets, technical development, or investment; (iii) share markets or source of supply; (iv) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them in a less favorable competitive position; or (v) make the conclusion of contracts conditional on the acceptance of obligations which are unrelated to the subject matter of the contract in question.

Rules on restrictive agreements and practices apply to both written and oral agreements, non-binding arrangements, and other types of informal collusion. In addition, the exchange of commercially sensitive information between competitors, even in the absence of an agreement to act on it, constitutes a breach of the Competition Act. In this context, it is not necessary for the agreements or practices to be implemented or to have any effect on the market, as long as they were intended to have an anti-competitive effect. Similarly, it does not matter if the agreement or practice was entered into with an innocent intent, if the effect of it is anti-competitive.

Agreements, decisions of associations of undertakings, and concerted practices that contribute to the promotion of the production or distribution of goods and services or to the promotion of technical or economic development (provided that the consumers have a proportionate share of the resulting benefit), are exempted from the rules on restrictive agreements and practices, subject to the fulfillment of certain conditions set out in the Competition Act. These so-called "block exemptions" apply to: (i) technology transfer, license, or know-how agreements; (ii) horizontal research and development or specialization agreements; (iii) vertical agreements on exclusive distribution rights, selective distribution rights, or exclusive purchase and franchise rights; (iv) insurance agreements; (v) distribution and servicing of motor vehicles agreements; and (iv) transport sector agreements. The Commission is also empowered, upon its own discretion, to exempt a particular agreement, a decision of an association of undertakings, or a concerted practice from the scope of the Competition Act in view of protection of the public interest.

Entrance into restrictive agreements or engaging in restrictive practices can result in fines of up to 10% of the undertakings' turnover in the previous accounting year. However, the Commission is empowered to grant leniency to undertakings that have entered into restrictive agreements or have engaged in restrictive practices where they admit their participation in a cartel. The Commission may grant full immunity from fines that would otherwise be imposed on that undertaking if it first presents evidence enabling the Commission to initiate a misdemeanor procedure or first presents evidence enabling the Commission to complete the already initiated misdemeanor procedure with a decision establishing the existence of a misdemeanor (if the existence of the misdemeanor could not be created without such evidence).

If the undertaking that has admitted its participation in a cartel fails to meet the requirements for full immunity, the fine may be

reduced if the undertaking submits additional relevant evidence to the Commission of decisive importance for the adoption of a decision establishing the existence of a misdemeanor.

Ana Stojanovska, Partner, ODI Law Macedonia

Slovakia

World-Wide Rarity: Anti-Letterbox Companies Act in Slovakia


Andrej Leontiev

In recent years suspicions regarding massive conflicts of interest, corruption, and the favoritism of creditors have created the political will to mandate the disclosure of ownership backgrounds of companies dealing with public finances. Attorneys from Taylor Wessing Bratislava have participated in the preparation of the so-called Anti-Letterbox Companies Act, which entered into force on February 1, 2017.

The Act is based on the principle that only those companies that voluntarily and reliably reveal their beneficial owners can "do business" with the state. In other words, private sector entities may receive cash and non-cash benefits from the public sector only if they disclose and register their beneficial owners in a register established for that purpose. The relevant data will be verified and can be reviewed at any time or upon qualified motion by the court.

The register will be managed by the District Court Zilina and will be publicly accessible via Internet. Sanctions for infringements of the Act can include enforced withdrawal from the contract, suspension of consideration, fines, liability, withdrawal of the economic benefit, removal from the "register of partners of the public sector," and listing on the "register of disqualified persons."

Partners of the Public Sector, Beneficial Owners, and Authorized Persons

Every person who is not a subject to public administration, who has a statutorily-defined business relation with the state, or who wishes to enter into such a relation is obliged to register. Such person is called a Partner of the Public Sector (PPS). Among other things, statutorily-defined relations with the state include receiving financial means from the public budget, receiving property rights from the public sector, being a supplier in a public procurement, or fulfillment of other statutory criteria (for instance, as a mining permit owner). However, a person receiving financial means not exceeding EUR 100,000 in one installment or EUR 250,000 per year or whose acquired property or rights do not have value exceeding EUR 100,000 will not be considered a PPS.

A natural person who benefits from the activities of a PPS is a so-called beneficial owner (BO). The BO either has control over a legal entity (solely or jointly with another person) or receives an economic benefit from the business of another legal entity. A special regime applies to issuers of shares that are regularly traded on the stock market and their subsidies.


Radovan Pala

An "authorized person" (AP) entitled to conduct a registration of PPS into the register can be an attorney-at-law, a public notary, banks or branches of a foreign bank, an auditor, or a tax advisor. The AP must have a registered seat or place of business in the Slovak Republic and independently collect and assess all available information about the BO in a verification document. In this document, the AP determines the basis upon which the BO has been identified or verified and identifies the PPS shareholders and management structure.

A BO has to be verified on December 31 of each calendar year, or when it registers a PPS in the register, or registers changes in the BO and/or AP, or concludes a contract or its amendment, or receives consideration exceeding EUR 1 million under a contract.

Where incorrect or incomplete information about the BO is provided in the register, a fine will be imposed by court in an amount corresponding to the economic benefit gained. If not possible to determine, a flat rate ranging from EUR 10,000 to 1 million will be set.

In addition, the PPS executive bodies can be fined from EUR 10,000 to 100,000 and will subsequently be banned from the executive body function, followed by a registration into the "disqualification registry." The AP acts as a guarantor of payment of the fine imposed on the PPS executive body, unless the AP proves it acted with professional diligence.

Anybody can file a qualified motion to the court to verify the registration of the BO. However, facts justifying the doubts about the accuracy and validity of registration must be presented. In such case, the PPS bears the burden of proof regarding the accuracy and completeness of the BO registration.

New Act Supports Transparency

By adopting the Act, the Slovak Republic starts applying the highest standards on fighting money laundering in its own state apparatus. Making public who deals with the state will have a positive impact on competition and higher administrative costs related to the new Act will be balanced out by the removal of market disturbances caused by lack of transparency.

Andrej Leontiev and Radovan Pala, Partners, Taylor Wessing Slovakia

The 2016 Deal List is now publicly available. Go to this link for a comprehensive overview of all client work carried out by each of the 590+ firms in CEE that we've been keeping an eye on in 2016: http://ceelegalmatters.com/index.php/deal-list-2016

Poland

Compliance Risks During an Internal Investigation and How to Avoid Them


Radoslaw Nozykowski

There are a number of not-so-obvious issues related to running an internal investigation that are often missed or simply disregarded as not important. Some of them pose risks to the success of the investigation, while others may not only jeopardize the results but also lead to potentially severe liability of the company and/or the individuals running the investigation).

Internal vs. External Investigations

One of the most important issues that arise in the context of internal investigations is how to deal with potential conflict between internal and external investigations. Why is this important?

First of all, we need to remember that the aims of internal and external investigations are different. Although theoretically both look at potential breaches of the law, the aim of external investigations is quite often directed only at finding and punishing a potential perpetrator or even an entire company for a breach of the law, while the interest of the company (or its shareholders, when the investigation is led by the owner) is much broader. This is not just a question of punishment but also of understanding the underlying grounds of the problem, as well as breaches of internal rules, the potential (non-public) liability of the officers of the company (e.g., for lack of proper supervision), and finding arguments (if any) to defend the company and its employees against claims – either of the authority or third parties.

Second, the other side of the story relates to the interest of the individuals involved in the interviews. One needs to remember that (contrary to the general rules for public proceedings) witnesses in internal proceedings are not obliged to tell the truth, with potential criminal liability attaching for false statements (which is usually quite a significant argument). Of course, employment sanctions (e.g., termination of the contract) for lying to one's employer can be used, but they are obviously less severe. This makes the position of the people conducting the interview especially tricky; they need to take into account that the witness may not necessarily tell the same story in an internal interview as they would in an external one. What is particularly important is that the people being interviewed are usually interested in presenting their own actions in the best possible light, usually minimizing their role and importance to the case. This reaction, though quite natural, may lead to a false or incomplete picture. The consequences of such situations are very serious, and not just because of the potentially lost case. A company answering any questions or presenting its position towards the authorities upon such an incomplete picture may generate not just doubt as to the fairness of its cooperation with the authorities, but even suspicion that it is willfully obstructing the investigation.

What can investigators do? Are they completely powerless compared to officials from law enforcement authorities? Certainly not. First of all, they usually know the company much better than external authorities do. Second, because they are not necessarily seen as adversarial or posing a consequential threat, they may be able to obtain more information than law enforcement officials can. Of course, there are cases where openly stating the consequences of incomplete cooperation is both useful and necessary

Third, what may happen with the outcome of the internal investigation? Is it going to be a potential burden when disclosed? In principle – though there are differences in antimonopoly proceedings – the outcome of internal investigations will be covered by client-attorney privilege. On the other hand, the law may impose a duty to disclose any materials/evidence relating to the case when prompted by the authorities. There are also cases where one is legally obliged by law to inform the authorities that a crime has been committed (in Poland, Art. 240 of the Criminal Code imposes this duty in relation to the most severe crimes). Even when this duty is not direct, the company needs to consider how reluctance in disclosing the details will be perceived by the authorities. Since in certain circumstances it might be treated even as an obstruction of the existing investigation, decisions in this respect must be made very carefully. One needs to remember that an internal investigation is not aimed at the protection of particular individuals and their wrongdoing but at protecting the company.

All in all, it is necessary to build a complicated picture of the mixed interests in the investigations, requiring extra caution from the investigators and a very carefully planned approach.

Radoslaw Nozykowski, Head of Compliance, Baker McKenzie Poland

Bosnia and Herzegovina

Twisted Compliance in Bosnia and Herzegovina


Emina Saracevic

In the era of modern business, where strengthening of existing businesses and encouraging startups is a GDP must, improving the investment environment is common sense, and compliance should serve the benefit of it all, one should stop and wonder at the sight of what we call "twisted compliance."

This newly found tool of local authorities designed to increase the budget may also be defined as compliance without logic, created when authorities start to twist the implementation of laws and regulations on business entities for the purpose of collecting monetary fines. So what essentially should be aimed at protecting business


Harun Novic

entities in a certain market becomes the opposite. Thus, as if the complex administrative environment and legislative parallelism was not enough, businesses in Bosnia and Herzegovina are now facing yet another challenge – whether to comply with this twisted compliance or not.

We have all been witnesses to local authorities being unable to understand the specifics of some business or some transaction; however, solutions have been reached with good argument and the sheer persistence of business representatives in the market. What we are seeing now, however, is not a lack of understanding but the obvious and planned imposition of inapplicable duties to business entities, which are thus offered two options: to comply with provisions not designed for them or pay the fine for noncompliance. This threat to legal certainty in the market, and the inevitable growth of the problem, must be dealt with by the entire business and legal community by forcing the judicial system (i.e., misdemeanor courts) to take on a much more serious role beyond its current pale, confirmative, and merits-free behavior, and stop administrative authorities from implementing this twisted compliance.

The most recent example of how twisted compliance works is the vivid activity of the Federal Market Inspection in controlling implementation/compliance with Bosnia & Herzegovina's Art. 11.6. of the Law on Internal Trade and Art. 2.3. of the Law on Price Control. These two provisions introduced a requirement that business entities involved in retail prepare and maintain two rulebooks: one on sale conditions and one on price forming.

According to Art. 11.6. of the Law on Internal Trade, "the trader is obliged to determine written rules about sales conditions (price, way of payment and handover, beneficiations, etc.) and make them available to the buyer in an appropriate way, as well as abide by the same." Obviously, the trader has to make the conditions of sale accessible not exclusively "to buyers", but "to a/any buyer", in which way the meaning and purpose of this provision is made clear – that a trader is obliged to conduct its business in a transparent way with any buyer. However, it is not obliged to have more buyers and therefore it is not required to have general rules of sale accessible to a wider range of buyers if it does not engage in retail. Wholesaling companies should be therefore exempted from having to adopt a rulebook on sale conditions if adequate provisions are made part of their (for instance) Distribution Agreements.

The second provision, Art. 2.3. of the Law on Price Control, requires that "companies and natural persons … determine rules about the price forming, abide by the determined way of price forming, and display a price list or an individual price at a place visible for the consumers, as well as comply with such displayed price." The clear mention of consumers in this article should be sufficient to conclude that it refers to retail prices, and is therefore not relevant to wholesalers.

However, even though both of these provisions serve as the legal basis for imposing a duty on retail business entities to maintain a rulebook on sale conditions and a rulebook on price forming, we have seen a number of wholesale business entities being fined for non-compliance with them. And those who have challenged the matter in court have experienced pale, indifferent, and merits-free decisions by the judges, who have taken as stronger evidence any submissions made by the representatives of administrative authorities. Appeals were drafted and second instance courts asked to correct the flaws of their colleagues from lower instances as well – mostly with no success.

In the meantime, the Federal Market Inspection is continuing with its controls of business entities, and some are starting to implement the non-applicable provisions and adopt said rulebooks anyway – i.e., adopting a rulebook on price forming even if there are no consumers to which it would be applicable since the entity is not a retailer. Such formal compliance, or imposition of twisted compliance, cannot be seen as an acceptable solution. New issues and new problems are going to arise out of this, as the formal introduction of essentially unnecessary acts such as these rulebooks have, among other things, generated competition issues.

Indeed, the price forming for wholesale entities is now colliding with the simplified and inapplicable rulebook on sale conditions and rulebook on price forming created for retail business. However, that would be yet another topic and our word count has just elapsed.

Emina Saracevic, Partner, and Harun Novic, Associate,
Saracevic Gazibegovic Lawyers

Serbia

Issuance of Electronic Money in the Republic of Serbia


Milos Curovic

The National Bank of Serbia has invested significant efforts to harmonize national regulations in the field of payment systems with those of the EU. As a result of these efforts, on December 18, 2014, the National Assembly of the Republic of Serbia adopted the new Law on Payment Services. The Law introduces significant improvements to the existing system, modernizing and aligning it with the directives of the European Union (Directive 2007/64/EC on payment services in the internal market, Directive 98/26/EC on settlement finality in payment and securities settlement systems, and Directive 2009/110/EC on the taking up, pursuit, and prudential supervision of the business of electronic money institutions), creating a harmonized, modern, and comprehensive set of rules for the provision of payment services at the EU level. A set of provisions in the Law will apply once the Republic of Serbia becomes a member of EU.


Milkica Trivicevic

The Law creates the legal basis for the establishment and operation of electronic money institutions for the first time. Electronic money has been introduced and its issuance regulated.

Electronic money may be issued only in accordance with the Law, and – according to the Law – only by the following entities: (i) a bank; (ii) an electronic money institution; (iii) a public postal operator; (iv) the National Bank of Serbia; or (v) the Treasury Administration or other public authority body in the Republic of Serbia, in line with competences established by law. No other person may issue electronic money in the Republic of Serbia, which means that in the private sector only banks and electronic money institutions are able to issue electronic money. Electronic money institutions or banks can operate by themselves, through a branch, or through third parties.

An electronic money institution, under the Law, is a legal entity with its head office in the Republic of Serbia that is licensed by the National Bank of Serbia to issue electronic money in accordance with the Law. During the process of obtaining the license to issue electronic money from the National Bank of Serbia and on the day the license is granted, the initial capital of the entity applying for the license needs to be no less than the dinar equivalent of EUR 350,000 at the official exchange rate. Even though there is a list of additional conditions that need to be met in order to issue electronic money, this one is the most specific. The National Bank of Serbia must decide on an application for a license to issue electronic money no later than three months following the day of receipt of a duly completed application. The register of electronic money institutions is maintained by the National Bank of Serbia.

Relations between the electronic money issuer and the individual to whom electronic money is issued are contractually regulated, particularly in connection with the issuance and redemption of electronic money and all fees that the electronic money issuer charges to the electronic money holder in the process. Electronic money related services must be advertised in a clear and comprehensible way, and the advertising must not contain inaccurate information or information that may mislead electronic money holders regarding the terms of use of these services. Furthermore, electronic money holders need to be fully informed of all terms and conditions prior to conclusion of the contract.

So far there is only one electronic money institution registered in the Republic of Serbia, which is why this is a good time to initiate this kind of business on the Serbian market. The focus of this sole existing company is on e-commerce, which leaves a lot if space for other activities in this area. Because electronic money is relatively new in the Republic of Serbia, establishment of an electronic money institution at this point could lead to a leading place on the market and the opportunity to develop business activities of this kind in Republic of Serbia.

Milos Curovic, Partner, and Milkica Trivicevic, Associate, ODI Law Serbia

Ukraine

Antitrust Compliance Program in Ukraine: Current Status and Development Prospect


Mykola Stetsenko

2015 and 2016 turned into a period of reform for the Ukrainian antitrust regulatory framework and the Ukrainian competition authority – the Antimonopoly Committee of Ukraine (AMC). The AMC's new executive team follows the best European practices in antitrust and competition field as the model for development of domestic competition environment. During those two years, the AMC significantly increased its investigation of alleged violations of competition law (including violations of the merger control regime, cartels, unauthorized concerted practices, abuse of dominance, unfair competition, and bid rigging) and deepened its commitment to promoting fair competition in general. In this regard, the existence of the antitrust compliance program for medium and large-sized companies has become very important.

For most Ukrainian companies, antitrust compliance programs are terra incognita. Only the largest companies have implemented such programs and conducted training workshops for their top management and senior teams. As a rule, high-profile clients outsource the development and launch of these programs to leading Ukrainian and international law firms, and large multinationals adapt their global standard antitrust compliance programs for Ukrainian subsidiaries to local legislation. Such programs cover a diverse mix of antitrust matters from merger control and concerted practices to abuse of dominance and unfair competition.

The great majority of such programs are tailor-made and depend greatly on the main types of activities of a company, the sectors it works in, and its market position. Recently, Ukrainian business has felt AMC's close attention to cartel investigations. The need for effective antitrust compliance programs with a focus on concerted practices has never been more evident. At the same time, abuse of dominance is one of the most widespread violations of the Ukrainian competition law. This is due to the fact that monopolies are generally more prevalent in Ukraine than they are in the EU and the US. Most cases of abuse of dominance take the form of economically unreasonable increase of prices and tariffs. If a company holds a dominant position on a certain market, the need to tread lightly on price increases is a common theme in compliance programs.

As the AMC has always looked closely at unfair competition, every antitrust compliance program addresses related concerns as well. In recent years, dissemination of misleading information has represented some 90% of all unfair competition violations. A recent trend is for a company in doubt about particular activities to consult with the AMC (often requesting that it issue a preliminary conclusion), which allows the company to conform in compliance as necessary. This instrument does not involve any significant costs

– the fee for the relevant application to the AMC is only UAH 5,440 (approximately USD 200). Within 30 calendar days, the AMC issues its preliminary conclusions on the merits, or, where the application is incomplete, indicates that the lack of certain documents and information makes it impossible to issue its conclusions on the merits.


Yaroslav Medvediev

Our analysis of the Ukrainian competition law policy, as well as our anticipation of its further development, show that certain industries will be subject to unusually high scrutiny by the AMC. In particular, we expect that the following sectors will attract its close attention: (1) energy, (2) pharmaceutical, and (3) heavy industry. Industry leaders in areas such as agriculture, retail, and real estate should also be alert. In light of this, it would be difficult to overstate the value of an antitrust compliance program to effectively prevent violations.

On September 15, 2015, the AMC adopted guidelines on the calculation of fines for violations of competition law (as restated on August 9, 2016). The current version of these guidelines does not recognize the existence of an antitrust compliance program as a mitigating/attenuating factor when calculating fines, and at the moment the AMC has not made its official position clear regarding such programs. If the AMC decides that the existence of an antitrust compliance program can serve as a ground for the reduction of fines, a new chapter in developing such programs would follow shortly. We hope the next version of the guidelines will make this issue clear.

Mykola Stetsenko, Partner, and Yaroslav Medvediev, Senior Associate, Avellum

Croatia

Advertising in Pharma


Mario Perica

With Croatia joining the European Union and assuming the obligation to implement EU law, compliance became the key word in the country's legal market. At first, the complicated regulatory environment produced legal uncertainty in entire industries. Through the persistent education of in-house lawyers and the outsourcing of highly complex issues to specialized lawyers, the majority of companies learned how to address compliance issues in a timely and systematic fashion. However, it is safe to say that the pharmaceutical industry continues to experience problems with regards to compliance due to extensive regulation, the interest of the general public, and the publicity surrounding the industry.

In my personal experience, having worked in the industry for quite some time, one of the basic issues in the pharmaceutical industry that still requires further development and awareness is advertising. The general opinion among the compliance community is that efficient monitoring and controlling of advertising practices in pharma is still quite challenging even for experienced compliance experts. The Croatian Regulation on Medicine Advertisement (the "Regulation") recognizes several types of marketing, but the most important kinds to be stressed in terms of compliance is advertising towards the general public, the organization of promotional events attended by persons entitled to prescribe medicines, and the organization of professional conferences.

When it comes to advertising a medicine to the general public, the content and context of the advertisement are to be thoroughly examined by compliance experts due to the numerous restrictions imposed by the Regulation, including prohibitions on implying that the advertised medicine guarantees success in treating a specific illness or is better than another. One common mistake in this type of advertising in Croatia is the use of misleading graphic displays showing the supposed changes caused by the medicine.

The organization of professional conferences has also been in the spotlight for the last couple of years. Certain restrictions have been imposed there too, including a prohibition against any reimbursements other than for costs actually incurred by the attendees of the conference. However, as a result of the April 2015 amendment to the Regulation, the reimbursement of costs to third persons (such as spouses or children of attendees) is also permitted, in accordance with the existing practices of international professional associations, such as the Ethical code of the EFPIA (European Federation of Pharmaceutical Industries and Associations).

Although fines imposed by the Croatian Law on Medicine may not seem draconian (they range between EUR 13,000 and EUR 20,000), a more significant sanction is provided for in the Agreement on Ethical Advertising of Medicine, which is specific in Croatian law. Since 2010, these agreements have been concluded between the Croatian Health Insurance Fund and each marketing authorization holder. These agreements usually contain clauses providing for fines in the amount of up to 3% of annual revenues for breaches of the legal framework with regards to the advertising of medicines. So far, proceedings in these types of matters have mainly been initiated by direct competitors. However, the regulator is expected to take a more active approach in the near future in order to endorse good practices in the industry.

These fines represent an adequate stimulus for companies in the pharma industry to increase their compliance endeavors. Not only are large fines at stake in the compliance game, but also the goodwill of the company, especially when it comes to an industry this sensitive to the public eye. Additionally, the problem of in-house counsel's and compliance officers' organizational autonomy within the corporate organizational matrix, as the basic prerequisite for providing unbiased advice, should be addressed and dealt with in the coming years. In order to do this, due to the high complexity of the matter and for the sake of achieving an objective approach to the problem, I strongly advise companies to entrust a periodical assessment of their compliance to outside experts.

Mario Perica, Attorney at Law in cooperation with Karanovic & Nikolic Croatia

Czech Republic

Compliance in the Czech Republic in 2017: New Challenges and Opportunities for Enterprises


Kaj Stander

Due to the increasing activities of state authorities concerning the liability of juridical persons in general, but especially regarding corporate criminal liability, the topic of compliance is no longer seen only as a formal requirement but is becoming more and more important in the Czech Republic in almost all areas of law.

The criminal liability of juridical persons (entities endowed with juridical personality – as contrasted to "natural persons," i.e., human beings) was introduced in the Czech Republic by Act no. 418/2011, Coll., on Corporate Criminal Liability, effective from January 1, 2012 (the "Act").

Since the entry of the Act into force, the Activity of the public prosecution office has been on the increase. On the basis of the Act, juridical persons especially face the threat of the following punishments: liquidation of the juridical person, forfeiture of property, forfeiture of an item or other asset of value, and prohibition of activity.

Various sections of the Act are controversial as being open to misunderstanding, and calls for amendments can be identified from various sides of the political and business spectrums.

On December 1, 2016, an amendment to the Act (the "Amendment") became effective, introducing the possibility of excluding the liability of a juridical person when the company "made every effort that may be reasonably expected to prevent the commission of a criminal offence." At the same time, the Amendment extended the list of criminal offences for which juridical persons can be sued. Before, a juridical person could only be sued for an enumerated list of criminal offences fixed in the Act. Pursuant to the Amendment, juridical persons are generally liable for all criminal offences, with some minor exceptions. In addition, a corporation may be held criminally liable pursuant to the Amendment only for unlawful conduct of a person in a managerial position. Previously, the definition of the liability for persons acting on behalf of the corporation was broader.

One measure for lowering the risk of liability may be performed through a compliance program, as notably confirmed by the recent case law of the Municipal Court in Prague in the Agrotec case.

Agrotec was suspected of illegal conduct in public procurement in respect to the Czech Post (Ceska Posta). The Municipal Court in Prague ruled that Agrotec committed the crime in question, but that due to the Amendment, and the fact that the company had made every effort to prevent the crime, because it had its own ethics code, the court dropped the criminal case against Agrotec.

However, the Municipal State Prosecutor immediately appealed the verdict. The case is now being heard by the High Court in Prague, and it is unclear how it will decide. The question that needs to be decided by the High Court is when exactly companies have fulfilled the requirement that they "made every effort that may be reasonably expected to prevent the commission of a criminal offence." In some opinions, Agrotec must also prove that it took all reasonable steps to ensure that employees and other persons responsible in the company fully complied with the ethics code.

The Agrotec case, as the first precedent case, and the new regulations show that many companies' failure to install a compliance program becomes even more risky than before, both for the companies and their management – and that, indeed, a compliance program can have a great impact on reducing costs and protecting reputations.

Companies that already have a compliance program should update their internal compliance procedures regularly, to demonstrate to state prosecutors and the competent court that they have "made every effort that may be reasonably expected to prevent the commission of a criminal offence."

As criminal liability generally passes to a legal successor of a corporation (by means of acquisitions, mergers, demergers, etc.), corporations have to keep compliance in mind not only in their own organizations but also in those they are contemplating acquiring. As a precaution, they may wish to obtain an excerpt from the Criminal Register and perform appropriate due diligence focusing on potential criminal liability before acquiring a juridical person – as well as, of course, minimizing potential risks in the share and purchase agreement by means of appropriate representations and warranties.

In view of the above, we can conclude that the matter of compliance has become not only a legal, reputational, and ethical factor, but also an economic one, which can be crucial in today's competitive environment.

Kaj Stander, Associate and Head of German Desk, Peterka & Partners Czech Republic

Hungary

Bribery is Again in Our CEE Region Focus


Maria Dardai

According to Seth, the pen name of Canadian cartoonist Gregory Gallant, "We can't suddenly quit a job and then race to find a form of art that will pay off before the next mortgage payment is due. Creating art is a habit, one that we practice daily or hourly until we get good at it.… Art isn't about the rush of victory that comes from being picked."

It seems that in our CEE region bribery and corruption are serious topics again. This is not only a legal issue but a source of political scandals, such as those described by the recent European Anti-Fraud Office Report in Hungary and those related to the January/February 2017 executive order in Romania decriminalizing

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certain grant offenses and protecting politicians from prosecution.

A company determined not to violate anti-corruption laws requires more than a strong commitment. Several steps need to be followed. These steps constitute the "compliance program," which ensures compliance with both local and international laws and should be part of any company's ordinary, day-to-day activities. Companies with a solid "compliance culture" introduce effective legal risk management processes that cover a wide range of areas.

An effective compliance program should always be tailored to the particular company implementing it, and it should preferably be managed by an external advisor (at least in the beginning). The need for such programs to be company-specific arises not just because each company has a unique structure and challenges but also because companies are in different development phases, and their supporting tools, such as IT infrastructure, are also different. For international companies, different country cultures also bring additional difficulties for the responsible compliance person.

A compliance program always starts with a preparation phase, and the result of this phase must be a compliance menu, providing a proper understanding of the company's business, culture, and mandatory requirements. The program must contain a proper risk assessment as well.

When the "menu" is ready, the processes begin. At this stage, the key is to review the existing internal policies. This review considers not just the company's Code of Conduct but also its policies regarding gifts, events (entertainment), vendor/supplier due diligences, and the matrix of roles and responsibilities. Once this stage is complete, results can be harmonized with the compliance menu. Policies that are missing should be drafted.

The next step is continuous monitoring, which is the key element of a successful compliance program. This step contains regular audits and reviews, including, once again, a business risk analysis focusing on critical areas. It is also advisable to establish a compliance committee led by the senior compliance person.

No successful compliance program can exist without development and regular training for key staff, as a well-trained staff is the engine of excellence that drives a good compliance program. If you are uncertain whether it is best to have classroom trainings (which are livelier and easier to tailor to actual needs) or online training (which is a more efficient tool and can be properly managed), then do both: classroom trainings for selected employees and online for the whole company.

The development of a regular training program is also related to awareness and enforcement. In creating such a program, ask the following questions: is a "compliance policy/program" part of the company culture? Has it been appropriately communicated? Has the compliance policy been endorsed by the senior management (reflecting the "tone at the top" within the organization through policies and procedures), and adopted by employees working in the field? Compliance may also include reviews of the policies and practices of the company's external partners.

Even with the best compliance programs, occasional non-compliance situations may occur, necessitating a professional investigation. A professional investigation almost always raises some privacy concerns, and very often special advice is needed (e.g., competition law or advice regarding specific industrial standards). An experienced counsel usually possesses the required tools for this job. Above all, the investigation must be independent, quick, and thorough.

A company with a well-established compliance culture can be successful in preventing violations of anti-corruption laws. This will protect the company's reputation and bring additional value to its business and culture.

Maria Dardai, Head of Compliance Projects, CMS Hungary

NEXT ISSUE'S EXPERTS REVIEW: PATENTS/IP

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