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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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Experts Review: Labor ■ Digital Nomads in Croatia, Montenegro, and Serbia ■ The AI Shift: How Technology is Redefining HR

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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: press@ceelm.com

GUEST EDITORIAL: LEGAL SERVICES MARKET TRENDS IN CEE

By Christoph Mager, Country Managing Partner, DLA Piper Austria

I have now spent more than 25 years in the legal advisory business world. With my core focus on cross-border M&A transactions for Austrian and international clients and having worked on many deals that also covered the Central and Eastern Europe (CEE) region, I have witnessed lawyering in CEE register remarkable growth and sophistication over the past years. International standards are now prevalent, particularly in M&A transactions and regulatory compliance. Many CEE countries are witnessing economic growth, which has positively impacted demand for legal services, especially in sectors like technology, real estate, life sciences, industrials, and energy. Here are some key trends and developments:

A Maturing Legal Market

The legal industry in CEE has rapidly developed since I started working in the late 90s, with law firms growing (in revenue, fees per fee earner, and headcount) and becoming more and more specialized. Many US and UK law firms have set up offices in the region, playing an active role in the legal market by transferring knowledge, training the younger generation (partially also abroad), and introducing best practices. In the CEE region, international law firms have significantly shaped the market, but domestic firms have also grown in prominence. These local firms offer deep insights into regional markets, are often politically well-connected with local peers, and are regularly very cost-effective for clients. While international law firms are prominent, there is also a rise in the stature of local or regional firms. Many domestic firms are gaining reputations for their understanding of local markets, making them key players in CEE's legal landscape.

Focus on Compliance and Regulatory Law

In recent years, regulatory law has become a prominent area of focus, driven by the EU's growing influence on Member States' legal frameworks. This includes matters related to the GDPR, competition law, anti-money laundering, and energy regulations. CEE countries that are part of the EU must comply with the European legal framework, which has increased demand for legal expertise in these areas. The latest regulatory regime to handle is the EU sanctions rules against Russia introduced as a result of the war in Ukraine.

Energy Transition and Infrastructure Development

Another noticeable trend is the increased legal support required for infrastructure and energy projects, particularly in renewable energy. With governments across the CEE region prioritizing sustainability and climate-related initiatives, law firms are increasingly advising on energy transition projects, particularly in wind, solar, and hydropower projects.

Legal Tech and Digitalization

The rise of legal technology is also being felt in CEE. While still developing, there is a growing interest in legal tech solutions, including e-discovery tools, contract automation, and AI-based legal research tools. Law firms are increasingly leveraging technology for efficiency, including AI tools for document review in due diligence processes in the M&A world as well as management systems to streamline operations.

Private Equity and M&A Activity

Another very active area for legal professionals in CEE is advising on mergers and acquisitions. Many global and regional private equity firms are actively investing in CEE, leading to a high demand for legal services in corporate and M&A law, tax structuring, and due diligence exercises.

In particular, Austria-based players benefited a lot in the past from the strength and growth of the CEE region – especially the large financial institutions and insurers. Regarding the law firms, I believe those that are most integrated and can, therefore, offer seamless advice across the CEE countries will continue to be highly successful.

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ACROSS THE WIRE: DEALS AND CASES

Date	Firms Involved	Deal/Litigation	Deal Value	Country
16-Sep	Schoenherr White & Case	Schoenherr advised OMV Aktiengesellschaft on a EUR 1 billion corporate bonds issuance with Barclays, Erste Group, Mizuho, Raiffeisen Bank International, Societe Generale, and UniCredit serving as joint bookrunners. White & Case's Frankfurt office reportedly advised the joint bookrunners.	EUR 1 billion	Austria
17-Sep	Baker Mckenzie Fries	Baker McKenzie advised Uniwater on its acquisition of 4 Pipes. Fries Rechtsanwaelte reportedly advised the sellers.	N/A	Austria
17-Sep	Brandl Talos	Brandl Talos advised Vienna-based start-up TriLite Technologies on the extension of its Series A financing round, bringing the total funding raised under the Series A financing round to over EUR 20 million.	N/A	Austria
18-Sep	CMS Schoenherr	CMS advised Erste Asset Management on its acquisition of Impact Asset Management. Schoenherr advised the sellers.	N/A	Austria
18-Sep	Schoenherr Wolf Theiss	Schoenherr advised Danske Bank, Erste Group, ING, Natixis, and UBS, on Volksbank Wien's invitation to existing holders of their outstanding EUR 400 million 2.75% fixed to fixed tier 2 notes with an interest rate reset date on October 6, 2022 to tender their notes for purchase by the company for cash. Schoenherr also advised the banks on the successful issuance of EUR 500 million 5.5% Volksbank Wien's subordinated notes issuance. Wolf Theiss advised Volksbank Wien.	EUR 500 million	Austria
23-Sep	Dorda	Dorda, working with McDermott Will & Emery and Quinz, successfully advised P95 on its acquisition of the Austrian CRO Assign DMB.	N/A	Austria
24-Sep	Eisenberger & Herzog Schoenherr	E+H advised CVI Investments and Heights Capital Management on the restructuring and insolvency proceedings of Fisker. Schoenherr advised Fisker.	EUR 3.78 billion	Austria
25-Sep	CMS Freshfields	CMS advised AVL List on the sale of its subsidiary Piezocryst to Spectris. Freshfields Bruckhaus Deringer advised the buyer.	N/A	Austria
01-Oct	Deloitte Legal (Jank Weiler Operenyi) Eisenberger & Herzog Grohs Hofer Schoenherr Willkie Farr & Gallagher	Schoenherr advised a group of sellers of Flightkeys on an investment from Insight Partners. E+H, working with Willkie Farr & Gallagher, advised Insight Partners. Deloitte Legal-affiliated Jank Weiler Operenyi and, reportedly, Grohs Hofer advised other sellers of Flightkeys.	N/A	Austria
02-Oct	Cerha Hempel Kim & Chang Latham & Watkins Schoenherr	Cerha Hempel advised AT&S on its sale of AT&S Korea to SO.MA.CI.S. Schoenherr, Latham & Watkins, and Kim & Chang reportedly advised the buyers.	N/A	Austria
07-Oct	BPV Huegel Wolf Theiss	BPV Huegel advised Immofinanz on the acquisition of a further approximately 38% stake in S IMMO via a share acquisition from CPI Property Group for EUR 608.5 million. Wolf Theiss advised CPI Property Group.	EUR 608.5 million	Austria
08-Oct	Brandl Talos Schoenherr	Schoenherr advised Cherry Ventures on leading the EUR 6 million seed financing round for Flinn AI that also saw the participation of Speedinvest and SquareOne as well as more than 30 business angels. Brandl Talos reportedly advised Flinn AI.	EUR 6 million	Austria
10-Oct	BPV Huegel	BPV Huegel advised AMS Osram on a reverse share split.	N/A	Austria
10-Oct	Wolf Theiss	Wolf Theiss advised the International Finance Corporation on a EUR 75 million anchor investment in Voestalpine green notes.	EUR 75 million	Austria
10-Oct	Dorda Heuking Kuhn Luer Wojtek Luther PHH Rechtsanwalte	Dorda, working with Frankfurt-based Luther, advised the shareholders of 0815 Group on an investment from The Platform Group. PHH and Heuking reportedly advised TPG.	N/A	Austria
10-Oct	Saxinger, Chalupsky & Partner Schoenherr	Schoenherr advised Lisec Holding on the sale of its subsidiary Glastech to Josko-Scheuringer Holding. Saxinger reportedly advised Josko was advised by Saxinger.	N/A	Austria
11-Oct	Dorda	Dorda, working with Shoosmiths and Heuking, advised Five Arrows on its acquisition of Intact alongside CGE Partners.	N/A	Austria
11-Oct	CMS Schoenherr	Schoenherr advised Fynk on its recent approximately EUR 3.1 million seed financing round led by 3VC with the participation of 10x Founders. CMS advised 3VC.	EUR 3.1 million	Austria
18-Sep	Clifford Chance Djingov, Gouginski, Kyutchukov & Velichkov Linklaters Tsvetkova Bebov & Partners	Djingov, Gouginski, Kyutchukov & Velichkov, working with Linklaters, advised BNP Paribas, Citigroup, ING, and UniCredit as the joint lead managers on the September 2024 triple-tranche sovereign bond issue by the Republic of Bulgaria under its EUR 20 billion global medium term note program. Tsvetkova Bebov & Partners, member of Eversheds Sutherland, and Clifford Chance advised the Republic of Bulgaria.	EUR 3 billion; USD 1.5 billion	Bulgaria
11-Oct	Boyanov&Co	Boyanov & Co advised Bulgarian pharma company Sopharma on its acquisition of a pharmaceutical product portfolio consisting of both CHC and prescription products.	N/A	Bulgaria
16-Sep	Cytowski & Partners	Cytowski & Partners advised SplxAI on USD 2 million preseed financing from Inovo.vc, South Central Ventures, and Runtime Ventures.	USD 2 million	Croatia

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17-Sep	Divjak Topic Bahtijarevic & Krka Jeantet Wolf Theiss	Wolf Theiss, working with Jeantet, advised Ancala on the acquisition of Elektrana Grubisno Polje from Akuo Energy. Divjak, Topic, Bahtijarevic & Krka advised Akuo Energy.	N/A	Croatia
16-Sep	PPS Advokati Weinhold Legal	Weinhold advised TTS Tooltechnic Systems Beteiligungen on the disposal of its full ownership interest in Narex. PPS Advokati advised the buyer – Schipro.	N/A	Czech Republic
17-Sep	CMS Reals	Reals advised Conseq Realitni on its acquisition of the Ctyri Dvory shopping center in Ceske Budejovice from Reico IS CS. CMS advised the sellers.	N/A	Czech Republic
17-Sep	Baker Mckenzie Eversheds Sutherland	Eversheds Sutherland advised Edwards Lifesciences on the USD 4.2 billion sale of its Critical Care product group to Becton, Dickinson, and Company. Baker McKenzie reportedly advised Becton, Dickinson, and Company.	USD 4.2 billion	Czech Republic
18-Sep	Clifford Chance	Clifford Chance advised Finep on the sale of the Novy Opatov G1 residential rental project to REICO CS Nemovitostni.	N/A	Czech Republic
01-Oct	Dentons	Dentons advised the State Oil Company of the Azerbaijan Republic on an addendum to the existing production sharing agreement with BP, MOL, INPEX, Equinor, ExxonMobil, TPAO, ITOCHU, and ONGC Videsh for the development of the non-associated natural gas reservoirs in the Azeri-Chirag-Deepwater Gunashli field.	N/A	Czech Republic
02-Oct	Glatzova & Co	Glatzova & Co advised Ceskoslovenska Obchodni Banka on its investment into Ownest.	N/A	Czech Republic
03-Oct	Nedelka Kubac Advokati	Nedelka Kubac Advokati successfully represented Beko before the Office for the Protection of Competition regarding a fine imposed for an alleged obstruction during a dawn raid.	CZK 13.56 million	Czech Republic
04-Oct	White & Case	White & Case advised PPF Group on an in-depth merger investigation under the EU Foreign Subsidies Regulation.	N/A	Czech Republic
07-Oct	Erudit Law Firm Finreg Partners	Finreg Partners advised Fondee founders and majority shareholders Jan Hlavsa and Eva Hlavsova on the sale of the company to Direct Group. Erudit Law Firm reportedly advised Direct Group.	N/A	Czech Republic
07-Oct	Glatzova & Co	Glatzova & Co advised on the merger of Shopsys, Reservio, Smartsupp, and Survio into the new Abugo group.	N/A	Czech Republic
08-Oct	Allen Overy Shearman Sterling White & Case	White & Case advised BNP Paribas and J.P. Morgan as the joint global coordinators, BNP Paribas, Goldman Sachs Bank Europe, and J.P. Morgan as the joint lead managers and joint bookrunners, and J&T Banka as the co-manager of Moneta Money Bank's issuance of EUR 300 million fixed-to-floating rate senior preferred notes due 2030. A&O Shearman Sterling advised Moneta.	EUR 300 million	Czech Republic
10-Oct	Dentons White & Case	White & Case advised CEZ Group on the issuance of EUR 700 million 4.125% sustainability-linked notes due 2031 and EUR 750 million 4.250% sustainability-linked notes due 2032 under its EUR 8 billion EMTN program. Dentons reportedly advised the underwriters.	EUR 1.45 billion	Czech Republic
24-Sep	Clifford Chance	Clifford Chance advised a group of Czech banks, led by Ceska Sporitelna and including Ceskoslovenska Obchodni Banka and Citi, on the financing of CVC Capital Partners and EMMA Capital's acquisition of FoxPost from Wallis Asset Management and Trueway/Finext.	N/A	Czech Republic; Hungary
11-Oct	Kinstellar Wolf Theiss	Kinstellar advised Banque Federative du Credit Mutuel on the acquisition of BNP Paribas's Hungarian subsidiary Magyar Cetelem Bank. Wolf Theiss advised BNP Paribas.	N/A	Czech Republic; Hungary
23-Sep	Dentons DRV Legal	Dentons advised Yanmar Group on its acquisition of Tedom from the Jet Investment fund. DRV Legal advised Jet Investment Fund.	N/A	Czech Republic; Poland; Slovakia
25-Sep	Bondoc & Asociatii White & Case	White & Case, working with Bondoc si Asociatii, advised a club of eight commercial banks and international financial institutions on the up-to-EUR 291 million financing of the construction of the 461-megawatt Rezolv Energy's Vifor wind farm in Romania.	EUR 291 million	Czech Republic; Romania
16-Sep	Acres Dentons	Dentons advised AniCura on the acquisition of VetCare Group in Slovakia and the Czech Republic from HardWood Investments. Acres reportedly advised HardWood Investments.	N/A	Czech Republic; Slovakia
01-Oct	White & Case	White & Case advised joint lead managers Commerzbank, Danske Bank, DZ BANK, Erste Group Bank, Raiffeisen Bank International, and UniCredit Bank on the issuance of EUR 500 million 2.875% mortgage-covered bonds due 2029 under the EUR 10 billion mortgage-covered bond program of UniCredit Bank Czech Republic and Slovakia.	EUR 500 million	Czech Republic; Slovakia
18-Sep	Cobalt	Cobalt advised BonVenture on its investment into Fairown as part of a EUR 5.7 million seed extension round.	N/A	Estonia
24-Sep	Cobalt Ellex (Raidla) Triniti	Cobalt advised Karma Ventures on leading the USD 5 million series A investment round for Estonian cybersecurity startup Patchstack which also saw the participation of G+D Ventures and Emilia Capital. Triniti reportedly advised Patchstack. Ellex advised Giesecke+Devrient Ventures on the round.	USD 5 million	Estonia
01-Oct	TGS Baltic Triniti	TGS Baltic advised 2C Ventures and AS SmartCap on a EUR 6.1 million investment round for AIO that also saw Nordic Foodtech VC and Voima Ventures participate. Triniti reportedly advised AIO.	EUR 6.1 million	Estonia
02-Oct	Cobalt	Cobalt advised Change Ventures on co-leading a EUR 700,000 round for Certific, alongside Firstpick and Heartfelt VC.	EUR 700,000	Estonia
03-Oct	Pohla & Hallmagi	Pohla & Hallmagi advised Restate on its sale of industrial real estate to EfTEN for approximately EUR 5.9 million.	EUR 5.9 million	Estonia
04-Oct	Pohla & Hallmagi	Pohla & Hallmagi advised Karmsund Group on its acquisition of industrial property in an industrial park close to Tallinn airport.	N/A	Estonia

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01-Oct	Ashurst CMS Ellex (Raidla) Gide Loyrette Nouel Sorainen White & Case	GIde and Ellex, working with Ashurst, advised Rivage Investment, Copenhagen Infrastructure Partners, and Norway's Kommunal Landspensjonskasse on a EUR 300 million IPP financing for the construction of 1.3-gigawatt of solar PV, wind, storage, and hybrid parks in the Baltics and Poland, provided to Sunly. CMS and reportedly White & Case and Sorainen advised Sunly.	EUR 300 million	Estonia; Poland
17-Sep	Koutalidis	Koutalidis advised Alpha Services and Holdings on its issuance of EUR 300 million fixed rate reset Additional tier 1 perpetual notes with a yield of 7.5%.	EUR 300 million	Greece
25-Sep	Lambadarios Law Firm Marinos Petroulias & Partners	Lambadarios advised the Hellenic Republic Asset Development Fund on the Attiki Odos concession agreement executed between the Greek State and GEK Terna Group. Marinos Petroulias & Partners advised GEK Terna.	EUR 3.3 billion	Greece
07-Oct	Potamitis Vekris	Potamitis Vekris advised Blackstone and Hotel Investment Partners on the acquisition of the company that owns the Grand Hyatt hotel in Athens.	N/A	Greece
10-Oct	Bernitsas Clifford Chance Koutalidis Milbank	Clifford Chance and Bernitsas advised the Hellenic Financial Stability Fund on its EUR 690 million sale of a 10% stake in the National Bank of Greece with J.P. Morgan, Goldman Sachs, Morgan Stanley, and UBS as the joint global coordinators. Koutalidis and Milbank advised the underwriters.	EUR 690 million	Greece
11-Oct	Zepos & Yannopoulos	Zepos & Yannopoulos advised Inspired Education Group on its entry into the Greek market via ventures with the Moraitis School and Costeas Geitonas School.	N/A	Greece
17-Sep	CMS Forgo Damjanovic & Partners	Forgo, Damjanovic & Partners advised Wallis Asset Management and Trueway/Finext on the sale of FoxPost to CVC and EMMA Capital. CMS advised the buyers.	N/A	Hungary
16-Sep	Cobalt	Cobalt successfully represented Latvian metalworking company East Metal before the Zemgale District Court in being granted legal protection.	N/A	Latvia
17-Sep	Ellex (Klavins)	Ellex advised Capitalica Asset Management on the acquisition of land for the Verde Office Complex in Riga, Latvia.	N/A	Latvia
18-Sep	Ellex (Klavins)	Ellex advised the founders of Chili Labs on the management buy-out from 1242 Apps.	N/A	Latvia
01-Oct	Cobalt	Cobalt advised BNP Paribas, Deutsche Bank, and Erste Group as the joint lead managers of Republic of Latvia's seven-year Eurobond that raised EUR 600 million at a reoffer yield of 3.138% and a fixed rate coupon of 3%.	EUR 600 million	Latvia
03-Oct	TGS Baltic	TGS Baltic advised Marinetek Group on the full acquisition of shares of Marinetek Latvia by buying out a minority shareholder.	N/A	Latvia
04-Oct	TGS Baltic	TGS Baltic advised Latvenergo on its acquisition of SIA Laflora Energy to build a wind power plant with a total capacity of 108.8 megawatts in the former peat extraction area of Kaigu Bog in Livberze County. Sole practitioner Janis Junkers advised the sellers.	N/A	Latvia
16-Sep	TGS Baltic	TGS Baltic advised Coinvest Capital on a EUR 825,000 investment in Airvolve alongside Baltic Sandbox Ventures and several accredited business angels.	EUR 825,000	Lithuania
17-Sep	Cobalt	Cobalt advised Linas Agro on its acquisition of Elagro Trade for a preliminary amount of EUR 22 million.	EUR 22 million	Lithuania
23-Sep	Cobalt	Cobalt advised the Fern Group on its 2-year EUR 8 million public bond issuance with an offered annual interest rate of 9%.	EUR 8 million	Lithuania
26-Sep	Cobalt Ellex (Valiunas)	Cobalt advised Practica Venture Capital on its exit from MedDream. Ellex reportedly advised the unidentified buyers.	N/A	Lithuania
04-Oct	Cobalt Noor Sorainen	Cobalt advised Ovoko on a EUR 20 million phase B venture capital investment round led by Smash Capital. Noor advised the founders of Ovko. Sorainen reportedly advised Smash Capital.	EUR 20 million	Lithuania
08-Oct	Fort Leadell (Pilv)	Fort Legal advised Longo Group on its acquisition of a real estate complex in Panevezys, Lithuania. Leadell reportedly advised the sellers.	N/A	Lithuania
11-Oct	Cobalt	Cobalt advised the EBRD on a EUR 100 million investment in Green Genius.	EUR 100 million	Lithuania
11-Oct	Ellex (Valiunas) Walless	Walless advised Quaero Capital on its sale of the 21.5-megawatt Veju Spektras wind farm to EB-SIM. Ellex Advised EB-SIM.	N/A	Lithuania
24-Sep	Harrisons	Harrisons advised the EBRD on EUR 10 million in financing for Alter Modus.	EUR 10 million	Montenegro
11-Oct	Gecic Law	Gecic Law, working with sole practitioner Branko Radojcic, successfully represented Telekom Srbija before the Commission for Protection of Competition in North Macedonia.	N/A	North Macedonia
16-Sep	Jasinski	Jasinski advised Peronelle Investment on its sale of two production and warehouse halls with office and social facilities in Gdynia to Firma Handlowa.	N/A	Poland
16-Sep	Gide Loyrette Nouel Schoenherr	Schoenherr advised mBank on financing the acquisition of Scan Lab by Enterprise Investors Fund IX. Gide advised Enterprise Investors.	N/A	Poland
17-Sep	White & Case	White & Case advised Santander Bank Polska and the joint global coordinators and joint bookrunners on the sale of 5.32 million ordinary shares of Santander Bank Polska at PLN 463 per share through an accelerated book-building process announced by Banco Santander.	EUR 575 million	Poland
17-Sep	Clifford Chance WKB Wiercinski Kwiecinski Baehr	Clifford Chance advised the lenders on the refinancing and financing of wind farms in Banie and Ilawa owned by the Energix group. WKB reportedly advised Energix.	N/A	Poland
17-Sep	CMS Dentons	CMS advised Greykite on the acquisition of a logistics portfolio in Poland. Dentons reportedly advised the unidentified sellers.	N/A	Poland

Date	Firms Involved	Deal/Litigation	Deal Value	Country
18-Sep	Lewczuk Lyszczarek i Wspolnicy LSW SSK&W	SSK&W advised the founder of Xopero Software Lukasz Jesis on funding from the Warsaw Equity Group and business angels. LLW Lewczuk Lyszczarek Szymczyk advised Xopero. LSW reportedly advised WEG.	N/A	Poland
19-Sep	Deloitte Legal Dentons	Deloitte Legal advised Grenevia on a PLN 850 million financing transaction via a loan agreement with a consortium of Bank Pekao, PKO Bank Polski, and BNP Paribas banks. Dentons advised the banks.	PLN 850 million	Poland
23-Sep	Rymarz Zdort Maruta WKB Wiercinski Kwiecinski Baehr	Rymarz Zdort Maruta advised Arcus Infrastructure Partners on its acquisition of FixMap. WKB Lawyers reportedly advised FixMap founder Piotr Muszynski as the seller.	N/A	Poland
23-Sep	Schoenherr	Schoenherr advised Tuplex on its acquisition of a stake in Sico Polska from Aleksander Goldschnedier, Piotr Klamecki, Ewelina Malinska, and Celina Zduniak.	N/A	Poland
24-Sep	Allen Overy Shearman Sterling White & Case	White & Case advised the joint bookrunners on PKO Bank Polski's green issuance of EUR 750 million 3.875% senior non-preferred notes due 2027. A&O Shearman advised PKO Bank Polski.	EUR 750 million	Poland
24-Sep	Clyde & Co CMS	Clyde & Co advised Panattoni on financing for the Panattoni Park Bierun i investment project from Alior Bank. CMS advised the bank.	N/A	Poland
24-Sep	Allen Overy Shearman Sterling Linklaters	A&O Shearman advised Bank Gospodarstwa Krajowego on the successful issuance of EUR 1.5 billion 3.875% notes due 2035, and EUR 750 billion 4.250% notes due 2044, with Banco Santander, BNP Paribas, ING, J.P. Morgan and Societe Generale as the joint lead managers. Linklaters advised the joint lead managers.	EUR 2.25 billion	Poland
24-Sep	EFK Legal Norton Rose Fulbright Rymarz Zdort Maruta	Norton Rose Fulbright advised mBank on the financing for the construction of a 52-megawatt solar PV portfolio sponsored by PVE Group. Rymarz Zdort Maruta advised the PVE Group. EFK Legal reportedly advised PVE Group shareholders.	N/A	Poland
25-Sep	Cytowski & Partners Kondracki Celej	Cytowski & Partners advised Satim on a EUR 1.4 million financing round with Balnord VC. Kondracki Celej reportedly advised Balnord.	EUR 1.4 million	Poland
25-Sep	Jasinski	Jasinski advised Oviedo Investment on the sale of a commercial property located in Gdansk to Ulma Construcion Polska.	N/A	Poland
25-Sep	Gide Loyrette Nouel Mccarthy Tetrault	Gide, working with McCarthy Tetrault, advised KGHM International on the sale of mining assets located in the Sudbury Basin in central Ontario, Canada, to the Canadian mining company Magna Mining.	N/A	Poland
27-Sep	Clyde & Co Dentons	Dentons advised the VSB Group on its sale of the project rights to the 190-megawatt Miejska Gorka wind farm, located in the Greater Poland Voivodeship, to Tauron Zielona Energia. Clyde & Co advised Tauron.	N/A	Poland
01-Oct	Greenberg Traurig	Greenberg Traurig advised Axpo Polska on a power purchase agreement with Akuo for the offtake of energy from a wind farm in Poland's Silesia region.	N/A	Poland
01-Oct	Dentons	Dentons advised Metroprojekt on the tender for pre-design work for Line IV of the Warsaw subway including the Technical and Parking Station.	N/A	Poland
02-Oct	Baker Mckenzie Clifford Chance	Baker McKenzie advised Bank Pekao on the issuance of EUR 500 million 4.00% senior non-preferred Eurobonds due 2030 under its EMTN program established in November 2023. Clifford Chance reportedly advised JP Morgan on the deal.	EUR 500 million	Poland
02-Oct	Cieslak Law Firm DLA Piper	DLA Piper advised Hochtief Group's special purpose vehicle Private Partner on the public-private partnership for the design, construction, financing, and maintenance of multi-family residential buildings in Zory. Cieslak Law Firm advised the Municipality of Zory.	PLN 405 million	Poland
02-Oct	CK Legal	CK Legal Chabasiewicz Kowalska advised Szymon Negacz on an investment in Silver TV.	N/A	Poland
03-Oct	Dentons White & Case	Dentons advised mBank on the update of its Luxembourg-listed EUR 3 billion EMTN Program and a new issue of EUR 500 million green senior preferred notes due 2030 with Commerzbank, Erste Group, J.P. Morgan, UBS, and UniCredit as the joint lead managers. White & Case advised the joint lead managers.	EUR 500 million	Poland
03-Oct	CMS	CMS advised the European Bank for Reconstruction and Development on a USD 15 million financing package to Bank Arvand of Tajikistan.	USD 15 million	Poland
03-Oct	B2RLaw Clifford Chance Pillsbury Winthrop Shaw Pittman	B2RLaw, working with Pillsbury Winthrop Shaw Pittman, advised Neuca and Humaneva on the sale of a minority stake in Humaneva to Viking Global Investors for USD 50 million. Clifford Chance advised Viking Global Investors.	USD 50 million	Poland
03-Oct	Baker Mckenzie Greenberg Traurig	Greenberg Traurig advised Nrep on the acquisition of a plot of land in the Bielany district of Warsaw and a development agreement with White Stone Development for the construction of a building. Baker McKenzie reportedly advised White Stone Development.	N/A	Poland
03-Oct	Bryan Cave Leighton Paisner LSW Naschitz, Brandes, Amir Sheppard, Mullin, Richter & Hampton William Blair	LSW advised Gilat Satellite Networks on its USD 245 million acquisition of Stellar Blu Solutions. Naschitz, Brandes, Amir, BCLP, and William Blair reportedly advised Gilat Satellite Networks as well. Sheppard, Mullin, Richter & Hampton reportedly advised the sellers.	USD 245 million	Poland
03-Oct	CMS Linklaters	Linklaters advised NEPI Rockcastle on the acquisition of the Magnolia Park shopping center from Union Investment for EUR 373 million. CMS advised Union.	EUR 373 million	Poland
03-Oct	Gide Loyrette Nouel	Gide advised Amethyst Radiotherapy Group on EUR 360 million refinancing from Ares Management and other financial institutions.	EUR 360 million	Poland
04-Oct	Gide Loyrette Nouel	Gide advised Roldrob on its acquisition of the Konspol Holding factory in Nowy Sacz, Poland, from Cargill.	N/A	Poland

Date	Firms Involved	Deal/Litigation	Deal Value	Country
04-Oct	CK Legal Snazyk Moradka	CK Legal Chabasiewicz Kowalska advised Proteine Resources on a PLN 6 million funding round with the participation of venture capital funds SMOK Ventures and Bitspiration Booster. Snazyk Moradka reportedly advised SMOK Ventures.	PLN 6 million	Poland
10-Oct	Ciolek Domanski Zakrzewski Palinka	DZP advised Renta Group on its acquisition of Caro Design. Ciolek Law Firm reportedly advised Caro Design.	N/A	Poland
10-Oct	DLA Piper	DLA Piper advised Azelis on the acquisition of Hortimex.	N/A	Poland
11-Oct	Eversheds Sutherland	Eversheds Sutherland advised Santander Bank Polska on the consolidation and extension of its financing of a portfolio of seven real properties owned by Adgar Poland.	N/A	Poland
11-Oct	Clifford Chance DWF	DWF advised PGE Polska Grupa Energetyczna and Orsted on a lease agreement with Istrana for the future T5 terminal in the Port of Gdansk. Clifford Chance Advised Istrana.	N/A	Poland
11-Oct	Dentons SKJB Szybkowski Kuzma Jelen Brzoza-Ostrowska	SKJB Szybkowski Kuzma Jelen Brzoza-Ostrowska advised Panattoni on the sale of the Kajima Poland logistics park in western Poland to Arete Investment Group. Dentons advised Arete on the deal.	N/A	Poland
11-Oct	Clifford Chance RJ & Partners	Clifford Chance advised the Eiffel Investment Group on establishing a joint venture – Galia Green Power – with an unspecified management team as the counterparty. RJ & Partners reportedly advised the JV partner.	N/A	Poland
17-Sep	CMS Dentons DLA Piper	Dentons advised Resource Partners on its acquisition of an 80% stake in Interactive Travel Holdings, the parent company of the Romanian brand Vola.ro and Polish brand FRU.pl, which also operates in Bulgaria and Moldova, from 3TS Capital Partners and the Polish co-founders of FRU.pl. CMS and DLA Piper reportedly advised the sellers.	N/A	Poland; Romania
26-Sep	RTPR Schoenherr	RTPR advised PragmaGO on the acquisition of an 89% stake in Telecredit IFN from Reconstruction Capital II Limited and Elisa Rusu. Schoenherr advised the sellers.	N/A	Poland; Romania
16-Sep	Filip & Company RTPR	RTPR advised Sarmis Capital on its acquisition of AEK Security, AEK Firefighters, and Deziclean. Filip & Company reportedly advised the AEK-Deziclean Group.	N/A	Romania
25-Sep	Bondoc & Asociatii	Bondoc & Associates advised TDI Renewables and its subsidiary, the Romanian–Israeli partnership ASRA Engineering, on an international restructuring.	N/A	Romania
27-Sep	Ionescu & Sava Legal Ground	Legal Ground advised the APS Group – acting through APS Credit Fund SICAV subfunds Rhapsody and Rhapsody II – on financing Skylight Residence's acquisition of a 100,000-square-meter site in Bucharest's Obor area. Ionescu Sava advised the borrower.	EUR 12.5 million	Romania
01-Oct	Bondoc & Asociatii	Bondoc & Associates advised Helios Energy Investments on setting up a partnership with TDI Renewables concerning a portfolio of renewable projects including solar photo-voltaic, off-shore wind, and storage, exceeding 1000 megawatts throughout Romania.	N/A	Romania
03-Oct	Clifford Chance Filip & Company	Filip & Company advised Banca Transilvania on a EUR 700 million sustainable bond issuance with J.P. Morgan, Morgan Stanley, Nomura, and ING Bank as the arrangers, ING Bank as the ESG advisor, and BT Capital Partners as co-manager. Clifford Chance advised the banks.	EUR 700 million	Romania
07-Oct	Musat & Asociatii	Musat & Asociatii advised Naxxar Renewable Energy on the sale of the remaining 40% stake in Naxxar Wind Farm Four SRL to Polenergia.	N/A	Romania
10-Oct	Clifford Chance Linklaters	Clifford Chance advised NEPI Rockcastle on its EUR 500 million green bonds issuance. Linklaters' Amsterdam and London offices reportedly advised the dealers, including Deutsche Bank, Raiffeisen Bank International, SMBC, Societe Generale, and UniCredit.	EUR 500 million	Romania
10-Oct	PeliPartners	PeliPartners advised Alfa Group on its acquisition of the IRIDE Business Park project from CPI Group.	N/A	Romania
11-Oct	Popovici Nitu Stoica & Asociatii Suciu Partners	Suciu Partners advised on the merger of PPC's distribution companies Banat, Dobrogea, and Muntenia and supply companies PPC Energie and PPC Energie Muntenia. Popovici Nitu Stoica & Asociatii reportedly advised on the merger as well.	N/A	Romania
11-Oct	Filip & Company Hogan Lovells Musat & Asociatii	Filip & Company advised BT Capital Partners, Citigroup Global Markets Europe, Erste Group Bank, J.P. Morgan, Raiffeisen Bank International, and Unicredit Bank as the arrangers of Romgaz's EUR 500 million bonds issuance. Musat si Asociatii reportedly advised Romgaz.	EUR 500 million	Romania
18-Sep	Cvjeticanin & Partners	Cvjeticanin & Partners advised Tetra Pak Serbia on the development and implementation of the _Eco Challenge_ award contest.	N/A	Serbia
03-Oct	NKO Partners	NKO Partners advised Igepa Cartacell and Deus System on their merger. The new entity will operate under the name Igepa Deus.	N/A	Serbia
07-Oct	Karanovic & Partners	Karanovic & Partners advised AMD on opening an engineering design center in Serbia.	N/A	Serbia
11-Oct	Kinstellar	Kinstellar advised A1 Srbija on the acquisition of a greenfield site in Serbia.	N/A	Serbia
16-Sep	Allen Overy Shearman Sterling Dentons	Dentons advised the sole owner of I.D.C. Holding Pavol Jakubec on the sale of the company to Valeo Foods. A&O Shearman advised Valeo Foods.	N/A	Slovakia
25-Sep	BDO Legal Dentons Gunar Legal & Partners	Dentons advised JTRE Sports & Entertainment on its acquisition of HC Slovan Bratislava from Elena Hruba, Pavel Hofstaedter, and Eduard Janosik. Gunar Legal & Partners and BDO Legal advised the sellers.	N/A	Slovakia
02-Oct	AK KB Kinstellar Rybanova & Partners	Kinstellar advised Mitiska European Real Estate Partners 3 on the acquisition of a 50% ownership interest in OP Centrum Retail 2 from OPC Group. AK KB and Rybanova & Partners advised OPC Group.	N/A	Slovakia
11-Oct	Bohunicky & Co Taylor Wessing	Taylor Wessing advised FLE on its investment and acquisition of a 620-hectare forest in Eastern Slovakia. Bohunicky & Co reportedly advised the sellers.	N/A	Slovakia

Date	Firms Involved	Deal/Litigation	Deal Value	Country
24-Sep	Gregorovic, Dobrajc, Mlinaric Sibincic Novak & Partners	Sibincic Novak & Partners advised Studenac on its acquisition of Kea from Bostjan Kukovicic. Gregorovic, Dobrajc, Mlinaric advised the seller.	N/A	Slovenia
14-Oct	Cad Fasun, Melihen, Milac, Strojan Fatur Menard Podjed, Kahne & Partners Schoenherr Zidar Klemencic	Schoenherr advised GA Adriatic, formerly Renault Nissan Slovenija, on the settlement negotiations with the Slovenian Competition Protection Agency. Zidar Klemencic reportedly advised GA Adriatic in auxiliary proceedings. Cad, and reportedly Fatur Menard, advised Avtohisa Malgaj; Podjed, Kahne & Partners advised Avtohisa Real; Fasun, Melihen, Milac, Strojan reportedly advised Plesko Cars; and Tadej Kalan reportedly advised Avtoservis Kalan, all of which were involved in the proceedings as well.	N/A	Slovenia
16-Sep	Paksoy	Paksoy advised ACG Acquisition Company on its acquisition of Polimetal.	N/A	Turkiye
25-Sep	Greenberg Traurig Turunc White & Case	Turunc, working with Greenberg Traurig, advised Riverwood Capital on its investment in Picus Security. White & Case reportedly advised Picus Security.	N/A	Turkiye
25-Sep	Aksan	Aksan advised the selling shareholders including Horoz Lojistik on the sale of Horoz Bollore to Bollore Logistics.	N/A	Turkiye
26-Sep	Bowmans Kinstellar Kinstellar (KST Law) Linklaters Taboglu Webber Wentzel	Kinstellar and its Turkish affiliate KST Law, working with Bowmans, advised Quexco Incorporated on its USD 110 million acquisition of Mutlu Aku from Metair International Holdings Cooperatief. Linklaters, working with Webber Wentzel and Taboglu, advised Metair.	N/A	Turkiye
30-Sep	DLA Piper Sakar Law Firm	Sakar Law Firm, working with DLA Piper's Canada office, advised EMX Royalty Corporation on secured debt financing for a transaction with the Franco-Nevada GLW Holdings Corp.	N/A	Turkiye
01-Oct	Baker McKenzie (Esin Attorney Partnership) White & Case (GKC Partners)	White & Case's Turkish affiliate GKC Partners advised Zurich Insurance on its acquisition of NN Hayat ve Emeklilik. Baker McKenzie's Turkish affiliate Esin Attorney Partnership advised the sellers.	N/A	Turkiye
01-Oct	Baker Mckenzie Baker McKenzie(Esin Attorney Partnership) White & Case White & Case (GKC Partners)	White & Case and its Turkish affiliate GKC Partners advised Pegasus Airlines on its USD 500 million Eurobond issuance with Citigroup Group Markets Limited and Morgan Stanley & Co International as the joint global coordinators and joint bookrunners and J.P. Morgan Securities, HSBC Bank, SMBC Nikko Capital Markets Limited, and BCP Securities as the joint bookrunners. Baker McKenzie and its Turkish affiliate Esin Attorney Partnership advised the joint global coordinators and joint bookrunners.	USD 500 million	Turkiye
04-Oct	Aksan	Aksan advised Pharmacontract – a joint venture of Trilantic Europe and Alto Partners – on obtaining clearance from the Turkish Competition Board for the acquisition of unspecified subsidiaries in Italy.	N/A	Turkiye
10-Oct	White & Case (GKC Partners)	White & Case's Turkish affiliate GKC Partners advised Akbank, ING Turkiye, MUFG Bank Turkey, QNB Finansbank, and Turk Ekonomi Bankasi on an approximately EUR 90 million loan to Temsa.	EUR 90 million	Turkiye
11-Oct	Paksoy Wachtell, Lipton, Rosen & Katz	Paksoy, working with Wachtell, Lipton, Rosen & Katz, advised Global Payments on its acquisition of Yazara Payment Solutions and its Turkish subsidiary SoftPos Teknoloji.	N/A	Turkiye
17-Sep	Avellum	Avellum advised DTEK Renewables Finance on a successful consent solicitation in relation to its EUR 325 million 8.50% senior notes due 2024.	N/A	Ukraine
17-Sep	Avellum Clifford Chance CMS CMS (Yalcin Babalioglu Kemahli) Kinstellar	CMS advised a consortium led by NJJ Holding and Horizon Capital on the acquisition of Datagroup-Volia and Lifecell. Avellum advised NJJ on obtaining merger control clearance from the Antimonopoly Committee of Ukraine for the acquisition. Kinstellar also advised NJJ. Clifford Chance advised the EBRD and IFC on the deal.	N/A	Ukraine
25-Sep	Asters Mayer Brown	Asters, working with Mayer Brown, advised the United States International Development Finance Corporation on a loan portfolio guarantee for ProCredit Bank.	N/A	Ukraine
30-Sep	Integrites	Integrites advised Novus and Univer on a UAH 400 million corporate bonds issuance.	UAH 400 million	Ukraine
03-Oct	Baker Mckenzie	Baker McKenzie advised MHP on its acquisition of KTL Ukraine Group from Ihor Khokhlov, Andriy Kuzmin, and Serhii Kocherhin.	N/A	Ukraine
07-Oct	Kinstellar	Kinstellar advised KNDS on establishing a subsidiary in Ukraine.	N/A	Ukraine
11-Oct	Sayenko Kharenko	Sayenko Kharenko advised Hilltop Technologies on entering the Ukrainian market via the launch of its R&D arm – SET Cyber Labs – in collaboration with SET University.	N/A	Ukraine

Deals and Cases

■ Full information available at:
www.ceelegalmatters.com
■ Period covered:
September 16, 2024 - October 15, 2024

Did We Miss Something?

We're not perfect; we admit it. If something 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

NEW HOMES AND FRIENDS: ON THE MOVE

Czech Republic: KPMG Legal Opens Office in Brno

KPMG Legal has announced its expansion into Moravia by opening a new office in Brno.

According to the firm, the new office will be led by Viktor Dusek as Director in cooperation with Attorney Tomas Kocar.

Kocar, who, according to KPMG Legal specializes in public sector regulation, competition law, and state subsidy matters, has been with the firm since 2021. Earlier, he worked for Weinhold Legal between 2017 and 2021 and for Feichtinger Zidek Fyrbach between 2016 and 2017.

"We have been planning to open another office for more than two years as part of our long-term pro-client growth strategy," commented KPMG Legal Partner Martin Hrdlik. "Brno was a logical choice because its open approach to new business opportunities and innovation has made it a popular location for companies with international ambitions."

Poland: Hogan Lovells Announces Warsaw Office To Shut Down

Hogan Lovells has announced it will close its Warsaw office together with those in Johannesburg and Sydney.

"As a leading global law firm, we are focused on ensuring that we are present in strategic markets where our clients look to us for support and sophisticated, high-end work," commented Hogan Lovells CEO Miguel Zaldivar. "Closing these three offices was a difficult decision, but one that was needed so that we can continue our path to achieve transformational growth and drive greater success – particularly in London, New York, California, Texas, Washington, D.C., and key international markets. This is part of our ambitious vision and strategic approach to continue to grow as a financially integrated global firm."

The firm closed its office in Prague in 2014 (as reported by CEE Legal Matters on May 14, 2014) and in Moscow follow-

ing Russia's invasion of Ukraine (as reported by CEE Legal Matters on March 14, 2022). With the Warsaw office closure, Budapest will be the last office of the firm in CEE.

Ukraine: Integrites' Ukrainian and Kazakhstan Offices Part Ways

Integrites has announced a restructuring of its operations leading to the separation of its office in Kazakhstan from its office in Ukraine.

According to Integrites, "after many years of successful collaboration, the partners in Ukraine and Kazakhstan have mutually decided to pursue independent paths. As a result, Integrites Kazakhstan will be leaving the group and will continue to operate independently under the brand Salus Legal."

"We made the decision to part ways, as our Kyiv and Almaty offices face different political environments which have their impact on domestic and global business development and marketing efforts," stated Integrites Ukraine Managing Partner Oleksiy Feliv. "Our office in Ukraine will concentrate on projects for the reconstruction of Ukraine during and after the war, on promoting Ukraine's agenda, and helping foreign businesses start or expand business here. We deeply appreciate our collaboration with the team in Almaty/Astana – after 16 years of cooperation, we will continue to work on joint projects in the future."

Poland: Bajno, Dubij, Pasternak Opens Doors

Bajno, Dubij, Pasternak has opened its doors for business in Poland, with the core team comprising Partners Pawel Bajno, Tomasz Dubij, and Robert Pasternak as well as Attorney at Law Slawomir Lebioda.

Before setting up the new firm, Bajno spent almost two years as the Head of KPMG Law in Poland, between 2022 and 2024. Earlier, he was a Partner with Bird & Bird between 2019 and 2022 and with Norton Rose, where he worked between 2012 and 2018. Between 1994 and 2012, he was a part of Dewey & LeBoeuf.

Dubij spent the last six years at the helm of Dubij-Legal. Between 1997 and 2018, he worked for Dentons.

Finally, Pasternak spent 24 years with Deloitte, having been a Partner with Deloitte Legal between 2007 and 2021.

According to the firm, its primary focus will be on "providing legal advice on mergers and acquisitions, corporate law, financing, commercial contracts, litigation, and family businesses."

Greece: Drakopoulos Launches Data and Digital Practice

Drakopoulos has launched a new Data and Digital practice dedicated to "providing comprehensive legal solutions to clients navigating the increasingly complex landscape of data protection, digital transformation, AI, cybersecurity, and emerging technologies."

The new Data and Digital Practice is led by Of Counsel John Giannakakis with Partner Michalis Kosmopoulos being on the team as well.

Before joining Drakopoulos, Giannakakis was a Senior Partner of G+P Law Firm between 2018 and 2023. He has also served as the Group General Counsel, Chief Compliance & Risk Officer of Avramar between 2019 and 2022 and has been serving as the Chief Legal Officer of ELTA Hellenic Post since 2023.

Kosmopoulos has been with Drakopoulos since 2014. Earlier, he spent a year and a half in-house with Generali, between 2012 and 2014. Earlier still, he worked for five years as Partner with Giannoulas | Kosmopoulos. Before that, he was an Associate with Mikroulea, Chrissanthis and Partners between 2006 and 2008 and an Associate with Dontas between 2004 and 2006.

Montenegro: Former Harrisons Team Launches Keker, Bujkovic, Pejovic

Former Harrisons Podgorica lawyers Milan Keker, Aleksandra Bujkovic, and Ivan Pejovic have founded Keker, Bujkovic, Pejovic – KBP Legal – in Montenegro.

Before founding KBP Legal, Partner Milan Keker was the Head of Harrisons Podgorica office since 2018 (as reported by CEE Legal Matters on September 26, 2018). Keker first joined Harrisons in 2017. Before that, he worked for Karanovic & Partners between 2012 and 2017. Earlier still, he worked for Jovovic, Mugosa and Vukovic between 2010 and 2012. In 2022, Keker was featured in a Buzz interview with CEE Legal Matters (on December 19, 2022). His primary area of expertise is corporate law.

Prior to establishing the new firm, Bujkovic worked for Harrisons between 2018 and 2024. Earlier, she spent three years with the Higher Court in Podgorica and, earlier still, she spent two years with the Basic Court in Podgorica. She specializes in corporate law, maritime law, real estate, and dispute resolution.

Pejovic specializes in corporate and commercial law. He also hails from Harrisons, having spent seven years with the firm.

Rounding out the team is Attorney at Law Iva Rolovic.

"We are thrilled to announce the launch of our new law firm," commented Keker. "With a team of dedicated professionals, we are committed to providing comprehensive commercial law services to help businesses navigate the Montenegrin legal landscape with confidence and clarity. The community can expect to hear much more from us as we actively engage and demonstrate our commitment to excellence in commercial law."

Ukraine: Former DLA Piper Ukraine Partners Establish Imagine Lawyers

Former Kinstellar Ukraine Partners Margarita Karpenko, Alla Kozachenko, Galyna Zagorodniuk, and Illya Sverdlov have established Imagine Lawyers.

All four were DLA Piper Ukraine Partners prior to the international firm leaving the market and Kinstellar picking up the local team (as reported by CEE Legal Matters on June 21, 2021) with Karpenko acting as Co-Managing Partner of the merged team under the Kinstellar brand alongside Olena Kuchynska.

Specializing in labor and commercial law, Karpenko had been with the DLA Piper team since 2005. Before that, she was a Senior Manager with Ernst & Young between 2000 and 2005. Earlier, she was a Manager with Arthur Andersen between 1993 and 2000.

Focused on corporate/M&A, Kozachenko first joined DLA Piper as an Associate in 2006. In 2008 she was promoted to Senior Associate, in 2013 to Legal Director, and she made Partner in 2019 (as reported by CEE Legal Matters on May 16, 2019). Since 2017, she served as the firm's Head of Corporate/M&A in Ukraine (as reported by CEE Legal Matters on May 19, 2017). Before DLA, she was an Associate with Volkov & Partners in 2005 and with Vasil Kisil & Partners between 2003 and 2005.

Specializing in competition, Zagorodniuk has been with DLA Piper since 2005, first joining the firm in 2005 as a Senior Associate and being promoted to Legal Director in 2012 and Partner in 2016. Earlier, she worked for EY as a Senior Associate in 2005, for Konnov & Sozanovsky as a Senior Associate between 2002 and 2004, and as the Head of Back-Office, Deputy General Director for the Helvex Financial Agency between 1998 and 2002. Her experience also includes working as a Lawyer for Ukrainian Securities JSC between 1997 and 1998 and for the Antimonopoly Committee of Ukraine in 1997.

Focused on Tax, Sverdlov also joined DLA Piper in 2005. In 2017, he was appointed as Head of Tax in Kyiv (as reported by CEE Legal Matters on March 3, 2017) and made Partner in 2018 (as reported by CEE Legal Matters on April 6, 2018).

According to the firm, a number of ex-DLA Piper Associates have joined the firm as Of Counsel.

"We had some turbulent times between leaving DLA Piper and forming Imagine Lawyers and by now feel happy and full of energy," commented Karponko. "We are united by the same mission to be the law firm of choice and trusted business advisor for our clients. The decision to work together as an independent firm was not an easy one for each of us – we worked as a team for a number of years as members of international organizations with established governance rules and operational procedures. However, we decided that we have enough energy, willingness, and experience to unite our efforts under our own roof. The core team of our firm remains in Ukraine and this is of importance for our clients."

Austria; Slovenia: Fabiani, Petrovic, Jeraj, Rejc and MP Law Merge

Fabiani, Petrovic, Jeraj, Rejc and MP Law have merged as of September 30, 2024, to create PFP Law.

The new firm has offices in Slovenia and Austria with the team including Luka Fabiani, Jernej Jeraj, Tomaz Petrovic, and Bostjan Rejc as Partners in Slovenia, Marko Vladic as a Partner in Austria, and Marko Prusnik as a Partner in both.

Fabiani focuses on dispute resolution, criminal law, compliance, data protection, IP/TMT, and fraud investigations.

Jeraj focuses on corporate/M&A, insolvency/restructuring, labor, and real estate.

Petrovic focuses on corporate/M&A, real estate, PPP/infrastructure, dispute resolution, and competition.

Rejc focuses on corporate/M&A, energy, IP/TMT, and compliance.

Vladic focuses on corporate/M&A, real estate, and dispute resolution.

Prusnik focuses on corporate/M&A, capital markets, banking/finance, and real estate.

On the Move

- Full information available at: www.ceelegalmatters.com
- Period covered: September 16, 2024 - October 15, 2024

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PARTNER MOVES

Date	Name	Practice(s)	Moving from	Moving to	Country
24-Sep	Georg Knafl	Administrative Law; Compliance	Wolf Theiss	E+H	Austria
27-Sep	Birgit Kraml	Real Estate	Wolf Theiss	DLA Piper	Austria
18-Sep	Sandra Tomaskovic	Corporate/M&A	Savoric & Partners	Nlaw	Croatia
16-Sep	Pavel Vrany	Corporate/M&A	Sole practice	Tarpan Legal	Czech Republic
16-Sep	Sophia Grigoriadou	Corporate/M&A; Real Estate	KPMG	PwC Legal	Greece
11-Oct	Apostolos Vorras	TMT/IP	Deloitte Legal	Koutalidis	Greece
16-Sep	Gabor Kiraly	Banking/Finance; Capital Markets	Sole practice	CMS	Hungary
3-Oct	Adam Kaplonyi	Real Estate; Banking/Finance	OPL Gunnercooke	Act Legal	Hungary
15-Oct	Timea Bana	TMT/IP	Dentons	Kinstellar	Hungary
3-Oct	Milan Keker	Corporate/M&A	Harrisons	KBP Legal (Keker, Bujkovic, Pejovic)	Montenegro
3-Oct	Aleksandra Bujkovic	Corporate/M&A; Litigation/Disputes	Harrisons	KBP Legal (Keker, Bujkovic, Pejovic)	Montenegro
3-Oct	Ivan Pejovic	Corporate/M&A	Harrisons	KBP Legal (Keker, Bujkovic, Pejovic)	Montenegro
25-Sep	Marek Sawicki	Corporate/M&A; Private Equity	EY Law	LSW	Poland
1-Oct	Pawel Bajno	Corporate/M&A	KPMG Law	Bajno, Dubij, Pasternak	Poland
1-Oct	Tomasz Dubij	Corporate/M&A; Banking/Finance	Dubij-Legal	Bajno, Dubij, Pasternak	Poland
1-Oct	Robert Pasternak	Corporate/M&A	Deloitte Legal	Bajno, Dubij, Pasternak	Poland
3-Oct	Hugh Owen	Corporate/M&A; TMT/IP; Banking/Finance	PwC	Kinstellar	Slovakia
18-Sep	Burcu Dal Gokalp	Corporate/M&A; Competition	Gokalp Law Firm	Guner Law	Turkiye
11-Oct	Margarita Karpenko	Corporate/M&A; Labor	DLA Piper	Imagine Lawyers	Ukraine
11-Oct	Alla Kozachenko	Corporate/M&A	DLA Piper	Imagine Lawyers	Ukraine
11-Oct	Galyna Zagorodniuk	Competition	DLA Piper	Imagine Lawyers	Ukraine
11-Oct	Illya Sverdlov	Tax	DLA Piper	Imagine Lawyers	Ukraine
15-Oct	Stanislav Skrypnyk	Litigation/Disputes	Misechko & Partners	Hillmont Partners	Ukraine

PARTNER APPOINTMENTS

Date	Name	Practice(s)	Firm	Country
4-Oct	Selena Ymeri	Banking/Finance	Hoxha, Memi & Hoxha	Albania
4-Oct	Ilir Johollari	Corporate/M&A; Energy/Natural Resources; Tax	Hoxha, Memi & Hoxha	Albania
4-Oct	Dorant Ekmekciu	Corporate/M&A; Real Estate; Labor	Hoxha, Memi & Hoxha	Albania
19-Sep	Stefan Horn	Real Estate	Wolf Theiss	Austria
19-Sep	Alexander Zollner	Litigation/Disputes	Wolf Theiss	Austria
19-Sep	Oleg Temnikov	Litigation/Disputes; Infrastructure/PPP/Public Procurement	Wolf Theiss	Bulgaria
25-Sep	Veronika Civinova	Capital Markets	KLB Legal	Czech Republic
3-Oct	Jakub Nedoma	Corporate/M&A; TMT/IP	Weinhold Legal	Czech Republic
19-Sep	Andreea Zvac	Litigation/Disputes	Wolf Theiss	Romania
7-Oct	Cristina Rosu	Banking/Finance	KPMG Legal - Toncescu si Asociatii	Romania
7-Oct	Irina Stanica	Labor	KPMG Legal - Toncescu si Asociatii	Romania
7-Oct	Dragos Nicolae Iamandoiu	Corporate/M&A	KPMG Legal - Toncescu si Asociatii	Romania
7-Oct	Calin Dragoman	Litigation/Disputes	KPMG Legal - Toncescu si Asociatii	Romania
16-Sep	Miodrag Jevtic	Banking/Finance; Litigation/Disputes	Gecic Law	Serbia

IN-HOUSE MOVES

Date	Name	Moving from	New Company/Firm	Country
24-Sep	Erika Stark-Rittenauer	OEBB-Holding	E+H	Austria
7-Oct	Katerina Schenkova	Baker McKenzie	Thyssenkrupp	Austria
11-Oct	Aneta Disman	Clifford Chance	Wikov	Czech Republic
11-Oct	Magdalena Dedynska	Mars Wrigley	Mars Wrigley	Poland
4-Oct	Jelena Arsic	MaxBet	MaxBet	Serbia

THE BUZZ

In The Buzz we check in on experts on the legal industry across CEE for updates about developments of significance. 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.

Money Comes Together in Slovenia: A Buzz Interview with Vid Kobe of Schoenherr

By Andrija Djonovic (October 4, 2024)

Slovenia is witnessing high levels of deal activity, particularly in M&A and corporate finance, according to Schoenherr Partner Vid Kobe, with banking sector consolidation leading the charge.

"It's been a very busy half-year for transactions in Slovenia," Kobe begins. "As a transaction lawyer, I've observed high levels of deal activity in M&A and corporate finance. Many colleagues across Central and Eastern Europe have noted similar trends, particularly over the summer."

On one hand, Kobe continues to say that "banks are reporting strong results, and there's considerable investor interest in technology and renewables. In addition to construction sector transactions, we've also seen notable deals in agriculture and private healthcare, sectors that are attracting growing attention." On the other hand, he reports that "certain large industrials, particularly those linked to automotive and certain consumer-facing businesses, are showing signs of struggle."

Focusing on a few standout transactions in the financial sector, Kobe says that "there's been continuous activity in Slovenia and the broader region, driven by strong business performance and healthy balance sheets. Against the backdrop of what is still a somewhat fragmented banking sector in Slovenia, we're again seeing some consolidation. For instance, NLB recently launched an effort to acquire Adiko, an Austria-headquartered bank with a presence across former Yugoslavia." While this attempt was not successful, Kobe feels that it reflects a broader trend of appetite for banking sector consolidation in the region. "Strategic buyers have been the driving force behind many transactions, particularly in the financial sector. They're fueling most of the activity, and their influence will likely persist into the next quarter."

Moreover, Kobe adds that there have been "other notable developments in the market, with two sizeable banks merging following their acquisition by OTP, creating one of the largest players in the market. There also appears to be some consolidation activity in respect of smaller lenders." Additionally, he shares that there have been some notable transactions in the fintech sector – including the "acquisition of the Slovenian-established Bitstamp by Robinhood, a US financial services giant, and a significant growth investment by BlackPeak, a CEE private equity fund, into Leanpay which focuses on "buy now, pay later" services."

Furthermore, Kobe says agriculture is increasingly perceived as an attractive asset class, driven by concerns over food security and self-sufficiency.

Finally, looking ahead, Kobe says he expects a "busy fourth quarter, particularly in financial technology and renewables. However, there's also some concern about impending restructurings, especially as certain companies linked to the automotive sector have already declared insolvencies." Beyond transactions, Kobe adds that the financial sector is also dealing with ongoing Swiss franc consumer litigations and Euribor-floor-linked collective action proceedings. "New collective actions were launched last year, accusing banks of overcharging consumers on interest calculations. Court hearings are scheduled for this autumn, and these cases will be closely watched," he concludes.

Living and Lobbying in Croatia: A Buzz Interview with Goran Ilej of Ilej & Partners

By Andrija Djonovic (October 11, 2024)

Croatia is undergoing significant legal changes, particularly with the introduction of a real estate tax aimed at addressing housing shortages and regulating property use as well as a new lobbying law, according to Ilej & Partners in cooperation with Karanovic & Partners Senior Partner Goran Ilej.

"One of the most significant developments is the introduction of a real estate tax, which has become a major topic of debate," Ilej begins. "So far, real estate in Croatia hasn't been properly taxed. A lot of real estate is used for tourism, and real estate prices are growing at a pace that's probably the highest in the EU," he explains. According to Ilej, "Croatians tend to invest their surplus funds in real estate, which has led to a shortage of available properties for residential use. The government is trying to intervene with a tax, hoping to encourage more real estate owners who are keeping properties vacant to switch to long-term rentals – this would help provide young families with better access to housing."

However, the public response was not welcoming. "It's controversial and has faced strong resistance in the past," Ilej continues. "Right now, the legislation is still in draft form and under discussion, but it's expected to be introduced by the start of the new year. The government has a stable majority in parliament, so it seems the political decision has already been made to introduce the tax in one form or another," he lays out. Ilej is confident that, while the draft might see some changes, it's likely to pass without much difficulty.

Another notable change of late is the new lobbying law. "This is the first time lobbying has been regulated in Croatia, and it's generating a lot of discussion," Ilej goes on to say. "The law requires anyone engaged in lobbying to register, but there's still ambiguity around who exactly needs to register. For example, in which cases is a CEO or any employee communicating with the government considered a lobbyist? This is something we've been discussing quite a lot over the past few months," he says. While the law is now in force, the practical application remains unclear. "There are still many unanswered questions about what counts as lobbying," Ilej adds. "While the temporary lobbyist register is currently being established, the main concern is how broad the requirement to register is. These days, we receive inquiries from many of our clients, particularly in industries like pharmaceuticals, where the state is the main client, asking whether they need to register."

Finally, taking stock of the Croatian legal market in 2024, Ilej reports overall stability. "However, transactional work has been somewhat erratic throughout the year. That said, in the last quarter, we've seen a noticeable pickup in transactions, which is promising. We hope this upward trend will continue into the next year, and that the market will remain active and lively," he concludes.

Croatians tend to invest their surplus funds in real estate, which has led to a shortage of available properties for residential use. The government is trying to intervene with a tax, hoping to encourage more real estate owners who are keeping properties vacant to switch to long-term rentals – this would help provide young families with better access to housing.

Trickle Down ESGonomics in Romania: A Buzz Interview with Ramona Cirlig of RC International Disputes

By Teona Gelashvili (October 14, 2024)

ESG is complicating contract negotiations in Romania, as large-size enterprises impose heavy terms on mid-sized suppliers, sometimes leading to missed opportunities, according to RC International Disputes' Managing Partner Ramona Cirlig, with climate litigation also rising, potentially impacting future disputes.

ESG has become a major topic of discussion in Romania, Cirlig says, "with everyone focusing on reporting obligations and trying to capitalize on the momentum. However, what I often encounter is the less visible 'underground buzz' – the real challenges faced during the contractual drafting phase."

Large-size businesses, according to Cirlig, "tend to impose large, excessive contracts on mid-sized suppliers and are now particularly anxious about ESG compliance. Many are expecting future disputes and are eager to transfer risk. The result of all this public focus on ESG is that it complicates reaching contractual agreements."

"The main issue here revolves around transferring risk through various indemnities, including liability for fines," she explains. This happens despite the fact that the relevant Directive (EU) 2024/1760 of the European Parliament and of the Council, from June 13, 2024, stipulates that small and mid-sized partners should receive support. The directive includes the phrase 'in light of the resources, knowledge, and constraints of the SME,' acknowledging these challenges. Unfortunately, while the directive is beautifully drafted, it is rarely incorporated into actual contracts."

Cirlig adds that, unfortunately, this uncertainty may cause significant business opportunities to be lost, as both sides are focused on protecting themselves. "I've even seen mid-sized enterprises walk away from deals simply because they didn't want to accept certain client-imposed clauses," she says. "I saw a similar scenario during the GDPR wave. In some cases, insurance helped to alleviate the risks. I expect that, as with GDPR, the insurance market will expand to cover ESG-related risks, which could help unlock some of these stalled negotiations."

Another impact of it, according to Cirlig, is likely an increase in disputes. "I anticipate many disputes in this area, although they haven't fully materialized yet," she notes. "Once the legal landscape is clearer and we start seeing decisions, uncertainty will diminish, and negotiations will likely become smoother. But for now, the intense public attention around ESG is creating a bottleneck at the negotiation stage."

On another front, Cirlig emphasizes that climate-related litigation is starting to gain traction in Romania, similar to across Europe. "One notable case is Declic et al. v. The Romanian Government, which began in Cluj and will have its first hearing in the High Court of Cassation at the end of October. NGOs are increasingly trying to enforce climate targets following the KlimaSeniorinnen case before the European Court for Human Rights. In particular, the applicants demand Romanian authorities to implement concrete climate change mitigation plans and take measures to increase the share of renewable energy in order to meet the targets of the Paris Agreement." According to her, "while these cases are primarily against governments, companies are paying attention because once climate harm is officially recognized, it could trigger a domino effect and open the door for claims in commercial disputes."

With everyone focusing on reporting obligations and trying to capitalize on the momentum. However, what I often encounter is the less visible 'underground buzz' – the real challenges faced during the contractual drafting phase.

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Montenegro's Trust in Banks: A Buzz Interview with Milan Keker of KBP Legal

By Teona Gelashvili (October 16, 2024)

Montenegro's financial sector is experiencing growth with record-high deposits and increasing trust in the banking system while advancing infrastructure projects and tapping into renewable energy opportunities, according to Keker, Bujkovic & Pejovic Partner Milan Keker.

"Montenegro's financial landscape has recently seen significant developments," Keker points out. "Deposits in local banks have reached historic highs, with a whopping 38% increase compared to 2019, or to put it in another perspective at the end of Q3 deposits in banks amounted to 78% of GDP. While deposits from foreigners have seen a slight decline, there is still a noticeable presence of spending of expats." This, according to Keker, reflects Montenegro's appeal as a destination for people from distressed regions, "largely due to its relatively lenient immigration policies and ease of establishing companies which can in turn secure residency."

"Despite inflationary pressures, there seems to be growing trust in the Montenegrin banking sector," Keker stresses. "The country's resilience is more robust than it might appear at first glance. The bankruptcies of two commercial banks, Atlas Bank and Invest Banka Montenegro from the same holding company in 2019, did not shake confidence, as all guaranteed deposits have been duly and fully disbursed." Additionally, he notes that due to availability of money at the market "the state is considering issuing bonds on domestic markets, allowing the government to borrow at lower interest rates, and the depositors to benefit from higher interest rates by purchasing bonds compared to the returns offered by interest-bearing bank deposits."

Keker adds that there are also signs of consolidation in the banking sector, with everybody closely following what is happening with the Addiko Group takeover attempts by regional players. Keker speaks of a trend of larger regional players acquiring (or attempting to acquire) smaller banks, but also notes a renewed interest from Western financial groups in re-entering the Balkan markets. Moreover, he notes that "the legislation on capital markets has spurred increased interest from payment institutions to set up operations in Montenegro, with the country aligning its legislation with the EU's PSD2 Directive."

Keker emphasizes that Montenegro's geopolitical position and its aspirations toward EU accession are also shaping its economic trajectory. "There is growing interest from the EU and Western nations to integrate Montenegro into the European Union, sending a message to the Western Balkans," he points out. "This has led to a push for improved legislation across various sectors like tax collection, UBO registrations, customs management, in order to better access IPA funds and meet EU benchmarks."

In terms of infrastructure, Keker says that "significant investments are being made or are in the pipeline. The second stage of the country's highway project Bar-Boljare is underway, although only 42 kilometers have been completed so far, financed through a Chinese loan." Until this highway connects Montenegro with Central Europe, he says that "the economic benefits will remain limited, though any major investment in such a small market has a noticeable impact."

Lastly, Keker highlights that energy has become a key topic. "With 240 sunny days per year, Montenegro is well-positioned for renewable energy development, particularly in wind and solar," he notes. "The construction of hydropower facilities also helps balance the energy supply. France's EDF (state-owned energy company) has signed several memoranda with the Montenegrin counterpart, positioning itself as a partner in these projects. This follows a meeting between the Montenegrin Prime Minister and French President Macron, signaling a deeper interest in strengthening ties and capitalizing on Montenegro's potential as a regional energy hub, especially for exports to southern Italy and the broader EU market through the grid. The move toward renewables is expected to pay dividends for both Montenegro and its international partners."

The country's resilience is more robust than it might appear at first glance. The bankruptcies of two commercial banks, Atlas Bank and Invest Banka Montenegro from the same holding company in 2019, did not shake confidence, as all guaranteed deposits have been duly and fully disbursed.

Optimistic Vibes in Serbia: A Buzz Interview with Miodrag Jevtic of Gecic Law

By Andrija Djonovic (October 22, 2024)

Serbia's recent economic growth is driven by foreign direct investment, infrastructure projects, and advancements in several sectors according to Gecic Law Partner Miodrag Jevtic.

"Serbia has been very busy," Jevtic begins. "At a macroeconomic level, we've seen positive trends supported by legal regulations to foster growth. Serbia attracts high levels of foreign direct investments, especially in sectors like technology, renewables, logistics, IT, and manufacturing. FDIs in Serbia this year are expected to reach EUR 5 billion, benefiting export-oriented sectors," Jevtic explains. "Serbia's geographical position and status as an EU candidate continue to drive investment, and the GDP growth forecast has been revised from an initial 2.5% to a more optimistic 3.8%."

Focusing on infrastructure projects, Jevtic reports that large-scale transport, energy, and telecommunications are a high priority. "Public-private partnership models are an important opportunity here, and the government is also working closely with financial institutions, such as the EIB and the EBRD. A major milestone is the Expo 2027 specialized exhibition, which will be held in Serbia and is seen as a project of national importance. Preparations entail a comprehensive development plan, dubbed 'A Leap Into the Future,' focusing on road and railway infrastructure to further boost economic growth," he says. "Without infrastructure development, we simply cannot expect sustainable economic growth."

Additionally, Jevtic says that the country's mining sector has been in focus lately. "Serbia has significant potential in the mining sector, particularly with lithium, which is crucial for electric vehicle batteries. It is seen as a long-term development opportunity," he says. "The government is working to support the development of the entire supply chain for electric vehicle and battery production. The recently established strategic partnership with the EU in this area further enhances this opportunity. This will be a game-changer for the industry, and we're already seeing signs of major developments with new electric models produced in Serbia," Jevtic outlines.

Jevtic reports that the country is in "the process of transitioning from coal to renewable energy sources, focusing on solar, wind, and hydropower. The country is accelerating efforts to improve energy efficiency and adopt renewable resources. We just recently witnessed the launch of the largest solar project in Serbia." Moreover, he says that, as an EU candidate, "Serbia trades heavily with the EU, and aligning its policies with EU standards is critical, especially for future exports."

On that note, Jevtic goes on to add that Serbia has been hard at work implementing many EU standards, "in the areas of non-financial reporting and in environmental, social and governance compliance. Many companies have already shifted toward these standards, which is crucial for attracting FDIs and maintaining export relationships with the EU." According to Jevtic, "customers in the EU want to see manufacturers and service providers in Serbia being compliant with environmental and social standards, and Serbia is pushing hard to complete this regulatory alignment."

Finally, Jevtic provides a brief update on the digital services sector. "While Serbia has yet to introduce 5G, secondary legislation for its implementation is underway and is expected to be completed before the end of this year, paving the way for a rapid rollout," he reports. "This will significantly enhance the digital infrastructure – the legal framework will need to adapt to keep up with these advancements," he concludes.

The country is accelerating efforts to improve energy efficiency and adopt renewable resources. We just recently witnessed the launch of the largest solar project in Serbia.

Bulgaria's Chase of Shifting Targets: A Buzz Interview with Antonia Mavrova of Kinstellar

By Radu Cotarcea (October 25, 2024)

While economic indicators look solid for Bulgaria and there is considerable progress made in terms of its energy mix becoming more reliant on renewable energy, according to Kinstellar Partner Antonia Mavrova, the country faces ongoing challenges both in terms of keeping pace with decarbonization targets due to populist pushback and in terms of moving several projects past the finish line without a stable government.

"Recent developments indicate that Bulgaria is at a crucial juncture in its economic journey, particularly regarding its goal of joining the Eurozone," Mavrova begins. With low inflation rates, the country strives to meet the "moving target that is the shifting timeframe for joining the eurozone, aiming for a potential transition next year." Another key focus, according to her, "is the removal of the land border checks to the Schengen area, which Bulgaria is vigorously pursuing, but this requires a unanimous decision at the EU level that is still uncertain."

A cornerstone of Bulgaria's strategy is its Recovery and Resilience Plan. "The country has already received a vital initial payment of EUR 1.37 billion, opening up attractive tender opportunities for foreign investors, especially in renewable energy," Mavrova reports adding that one particular project for battery energy storage "targets at least 3 gigawatts of additional renewable energy capacity. Additionally, the development of industrial zones is set to begin soon, with approximately EUR 100 million allocated for constructing and developing industrial plants to stimulate growth and attract new investors."

"Bulgaria faces challenges regarding its decarbonization targets for coal mines, as the national recovery plan includes closing several coal mines to meet green criteria," Mavrova adds. "However, there is a notable lack of political will, with considerable pushback from populist parties. In light of this, Bulgaria is preparing to continue negotiating its changes to the national recovery plan with the goal of achieving sufficient political support."

In terms of what's keeping consultants in the market busy, renewable energy initiatives lead the way. "The pace of energy diversification has accelerated significantly," according to Mavrova. "For instance, solar capacity has surged from 1 gigawatt-hour in 2019 to approximately 4 gigawatt-hours today. By 2033, Bulgaria aims to achieve an additional 14,000 megawatts of solar power and 830 megawatts of wind energy, with these numbers representing the sum of RES projects already in development." Furthermore, she reports that Bulgaria is preparing to commission two new reactors at its largest nuclear power plant, which is projected for 2034. "Hydrogen development is also on the agenda, with the National Electric Company (NEC), backed by the European Investment Bank (EIB), exploring plans for two large pumped-storage plants with a projected capacity of around 800 megawatts."

Mavrova also reports that, while Bulgaria adopted an FDI screening mechanism back in March of this year, "it remains inactive due to a lack of supporting legislation, compounded by the political instability from the ongoing caretaker government – with the country now facing its seventh election in a row for the past four years. Once fully implemented, this mechanism is expected to complicate the entry of EU investors into the market." Also stemming primarily from the political instability, Bulgaria is also behind schedule on major infrastructure projects, including plans for a new concession for the Varna port in conjunction with the Rousse port.

Despite such delays, Mavrova concludes with a positive forecast of a likely booming automotive/industrial sector in the country, seconded by strong growth in the logistics sector. The former, Mavrova highlights, represents close to 10% of employment in manufacturing across the CEE region and the hope is that it'll soon have a similar impact on the local market as well with both sectors seeing signs of strategic investors looking at Bulgaria.

THE DEBRIEF: NOVEMBER 2024

In The Debrief, our Practice Leaders across CEE share updates on recent and upcoming legislation, consider the impact of recent court decisions, showcase landmark projects, and keep our readers apprised of the latest developments impacting their respective practice areas.

Anca Diaconu, Partner,
Nestor Nestor Diculescu Kingston Petersen

Guoda Sileikyte, Associate Partner,
Walless

Jasmina Ilieva Jovanovik, Partner,
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Marko Repic, Partner,
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Asters

Roman Hager, Partner,
Act Legal WMWP

Sophia Angelakou, Senior Associate,
Drakopoulos

Zoltan Forgo, Managing Partner,
Forgo, Damjanovic & Partners

This House – Reached an Accord

Drakopoulos Senior Associate Sophia Angelakou reports that Greece introduced in September a digital transaction duty – "a tax designed to be predictable and transparent." This will be imposed on agreements and transactions concluded or executed as of December 1, 2024.

Specifically, Angelakou notes that, "by virtue of *Law 5135/2024*, published in the *Government Gazette* on September 16, 2024, the stamp duty code which has been in force since 1931 is abolished and replaced by the digital transaction duty." The law, according to her, restrictively defines the "agreements and transactions on which the digital transaction duty is imposed," and "the concept of territoriality provided under the previous regime is now abolished as the digital transaction duty is imposed on transactions where at least one of the parties involved is a Greek tax resident or has a permanent establishment in Greece, regardless of the place of conclusion and execution of the transaction."

Indicatively, Angelakou notes, "the transactions on which the digital transaction duty is imposed include the transfer of a business, provided that it is not subject to VAT and that it is not part of a business restructuring and loan agreements where a cap of EUR 150,000 per loan agreement applies. On the contrary, the digital transaction duty is not imposed on bond loans, bank loans, and fees payable by way of profit distribution to Members of the Board of Directors of a Societe Anonyme or to directors of a Limited Liability Company and a Private Company."

Debarliev Dameski & Kelesoska Partner Jasmina Ilieva Jovanovik highlights legislative updates on competition in North Macedonia. "On October 2, 2024, the Macedonian Assembly adopted a law to amend and supplement the *Law on Protection of the Competition*, published in the *Official Gazette of RNM no. 208/2024* on October 9, 2024. The main change provided with this law is expanding the number of members of the commission from two to four." Additionally, "the criteria for electing the president and members have also been updated as well as the legal grounds for their dismissal." Within three days of the entrance of the law into force, Ilieva Jovanovik notes, "a public call for the election of a new president and four members of the commission will be announced and, with the selection of the new members and the new Presi-

dent, the mandate of the present ones shall cease."

Ilieva Jovanovik also stresses that some changes "seem unclear and may cause doubts about whether the special infringement commission will be still composed of the President and two commissioners, as has been the case so far. The changes in the structure and the capacities of the commission are provoked by the law on unfair trade practices in the agricultural and food products supply chain whose enforcement is dedicated to the commission, so by expanding the duties of the commission in supervising the new unfair trade practices regulation, the enhancement of [the special infringement commission] was expected as well."

This House – The Latest Draft

Asters Associate Oleksii Sapura draws attention to Ukraine's improved regulations on industrial parks. "Over the past three years, the number of registered industrial parks in Ukraine has doubled," he notes, as "on October 1, 2024, there were 91 of them with a total area of over 3,000 hectares. This increase was caused by the relocation of enterprises to safer western regions of Ukraine and anticipation of the country's rebuilding." Given the positive dynamics, Sapura says, on "October 14, 2024, *Draft Law No. 12117* was registered in the parliament, which proposes key improvements in the regulation of industrial parks in Ukraine." Namely, Sapura highlights the "transformation of industrial parks into eco-industrial parks to contribute to the decarbonization of Ukraine in line with the *European Green Deal* and increase competitiveness in light of CBAM regulations," adding "it is expected that eco-industrial parks will operate in parallel with industrial parks, hence state support can be prioritized for eco-industrial parks." Sapura also stresses, that "activities and objects eligible for industrial parks, including energy production and/or storage and the accommodation of offices, restaurants, hotels, hostels, and dormitories within the area of industrial parks," will be extended and "the procedures for the establishment and registration of industrial parks" will be streamlined. Finally, Sapura notes that "financial incentives will be supplemented with simplified regulations to boost the further development of industrial parks and Ukraine's rebuilding for a green and sustainable future."

As for Romania, Albota Law Firm Partner Oana Albota highlights a new legislative bill that proposes a 10% cap on down payments for the acquisition of apartments from developers. "The Social Democratic Party has introduced a legislative bill, submitted to the senate on October 9, 2024, aimed at closing a regulatory gap in residential real estate transactions by amending *Law No. 10/1995 on construction quality*," she reports.

The purpose of the bill, according to Albota, is related to "recent concerns about market practices, where real-estate residential developers often require significant down payments upon signing sale and purchase pre-agreements, frequently without providing adequate financial guarantees." She says that "if developers fail to deliver the property on time or, in worse cases, the bankruptcy of developers is declared, promissory purchasers become vulnerable and exposed to potential financial losses." To address this, Albota highlights that "the bill sets a 10% limit on down payments developers can require from promissory purchasers, unless they obtain insurance from a licensed insurance company to protect the promissory purchaser if the developer fails to meet its obligations, in which case the down-payment can increase up to 40%." Additionally, there will be "special purpose bank accounts for down payments," and "the use of down payments only for developing the residential project."

While the bill seeks to curb fraudulent practices, Albota draws attention to pitfalls. The bill "does not tackle broader structural issues such as a lack of comprehensive oversight in the residential real estate sector, inefficient dispute resolution mechanisms, or systemic delays in project delivery," she points out. This cap could also "limit flexibility, especially for small- and medium-sized developers who are largely dependent on down payments for funding."

The Verdict

Walless Associate Partner Guoda Sileikyte highlights the recent court decision on the right to be forgotten in Lithuania in the context of privacy and journalism: "on October 4, 2024, the Supreme Administrative Court of Lithuania examined a case in which the petitioner sought the removal of his personal data from Google under the GDPR's 'right to be forgotten.' The inspectorate, empowered to assess complaints regarding personal data processing in journalism-related matters, dismissed the complaint, asserting that Google's data processing aligned with freedom of expression and journalistic purposes, which, under the GDPR, includes a broad interpretation that allows society to access information about individuals tied to public interest concerns, especially those with a criminal past." Sileikyte emphasizes that "the first-instance court partially supported the petitioner's demands, but the court, referencing decisions from the Court of Justice of the European Union, concluded that the lower court had incorrectly applied GDPR provisions. Consequently, the court remanded the case for further examination. This ruling clarifies the extent to which data processing for journalistic purposes may align with public interest under the GDPR."

In the Works

In September, the energy sector in Bulgaria according to CMS Sofia Managing Partner Kostadin Sirleshtov, "was quite vibrant as Rezolv Energy secured EUR 90 million in debt financing from IFC and Raiffeisen to support the construction of the St. George 229-megawatt solar park in Bulgaria. This follows the signing in early September of a 12-year Virtual Power Purchase Agreement with Ardagh Glass Packaging-Europe." The agreement is intended "to provide 110 gigawatt-hours per year of renewable electricity from St George to AGP-Europe to help decarbonize its manufacturing operations across Europe."

Furthermore, Sirleshtov says, "Toshiba will assist Bulgaria in restoring the operation of the Chaira pumped-storage hydropower plant Chaira PSHPP. The National Electricity Company EAD will announce a public tender for the repair of Chaira Hydro Unit 1, which is necessary in view of its key importance for the country's energy system and its significance for ensuring electricity security." In the longer term, he says, "a public tender is to be issued for the procurement and replacement of generators, turbines, main and auxiliary equipment, and control systems, testing and commissioning of Chaira Hydro units 1 and 4."

JPM & Partners Senior Partner Jelena Gazivoda emphasizes that the Serbian energy market has seen significant changes recently. "From a business-project perspective, one of the most high-profile projects is the construction of self-sustaining solar power plants with integrated battery storage systems. The strategic partnership between the Republic of Serbia, Hyundai Engineering (South Korea), and UGT Renewables (United States) stands out as one of the largest initiatives of its kind in Europe." The project, according to Gazivoda, involves building solar plants with a total installed capacity of 1 gigawatt and battery storage with an installed capacity of 200 megawatts. "The project is set for completion by mid-2028, with financing efforts currently underway, likely to attract attention from leading global investors," she notes.

Forgo, Damjanovic & Partners Managing Partner Zoltan Forgo highlights the M&A activities of the Hungarian state. First, he draws attention to the sale of majority interests in the Hungarian Post Insurance Companies. "As previously reported, the state-owned Corvinus Nemzetkozi Befektetesi acquired a 66.9% share of the Hungarian Post Insurance Companies from the German Talanx Group in April 2023." Forgo states that "although, the Hungarian State asserted that it intends to invest in the insurance sector as a strategic sector for the state, and even merger control was not needed due to the strategic importance of the acquisition, soon after the completion of a public tender for the sale of the acquired shares was issued in September 2023. In July 2024 it was announced that Granit Biztosito, a company linked to Mr. Orban's son-in-law won the tender." He notes that "the request for merger control clearance was submitted to the Hungarian Competition Authority for approval in September 2024. Once the approval is granted, the transaction could close this year, meaning that the Hungarian State will have successfully sold its shares, merely a year after their acquisition."

Additionally, Forgo reports on the "aborted acquisition of Spanish Talgo by a consortium involving the Hungarian state. The Ganz-MaVag Europe consortium, in which the Hungarian state indirectly holds a minority share through Corvinus Nemzetkozi Befektetesi, has submitted a formal offer to buy the Spanish train manufacturer in March 2024. Eventually, the Spanish government vetoed the transaction for strategic interests and national security at the end of August 2024." He points out that "though, the Spanish government classified the documents supporting its decisions, according to the Spanish newspapers the reason behind the veto was the alleged relationship of the Hungarian government (and the MOL Group, which is connected to the majority owner) to Russia (or even the Russian government). Ganz-MaVag announced that it will file a lawsuit for violating EU law as the Spanish government has prevented the free movement of capital, which is a fundamental right of the European Union."

Done Deals

Last month saw "a growing number of large M&A transactions in the telecommunications, real estate, and banking sectors" in Ukraine, according to Avellum Managing Partner Mykola Stetsenko. Among others, Stetsenko says that "a large French telecom group NJJ invested in the acquisition of Lifecell, the third largest telecom operator in Ukraine. The transaction also envisaged a combination of Datagroup and Lifecell into one group. Horizon Capital played a major role in securing this deal, while EBRD and IFC provided USD 435 million in financing for this transaction."

Another major transaction was "the acquisition of Idea Bank by TAS Group – the first banking M&A in Ukraine, since 2022. FinPoint and Rothschild & Co Warsaw led the deal." Finally, Stetsenko highlights that "Dragon Capital acquired from DCH Investment Management the Karavan Outlet opened in 2003 and renovated in 2019. It was the first shopping mall established in Kyiv and is currently the largest outlet shopping mall in the capital. The overall size of Karavan equates to 57,321 square meters, with 42,788 square meters of rental areas."

Regulators Weigh In

Gazivoda notes that "the Serbian Ministry of Mining and Energy has initiated public consultations on proposed regulations for market premiums and feed-in tariffs, as well as quotas for wind and solar power in the market premium system. The proposed quota for wind farms is 300 megawatts and 124.8 megawatts for solar power plants. Notably, this legislative package introduces a new auction criterion: in addition to the electricity production price, the supply capacity for end customers in Serbia will also be evaluated. It has been indicated that further auctions could be held in the last quarter of 2024, pending the Serbian government's decision on maximum auction prices for wind and solar electricity production."

The recent works of the Romanian Competition Council (RCC), Nestor Nestor Diculescu Kingston Petersen Partner Anca Diaconu notes, "come to once again prove its reputation of a very active authority, signaling its commitment to enforcement by way of the various tools it has available." One of the most notable updates in terms of the "RCC's activity is the ongoing public consultation process concerning commitments proposed by Delhaize Nederland B.V. in the context of the envisaged acquisition of Profi Rom Food," Diaconu says. "This is Romania's largest retail transaction to date, and the significant commitments proposed cover a wide range of measures – from structural to behavioral remedies, including divestment of 87 stores across 44 locations and obligations on the buyer to refrain from interfering in these business segments for a substantial 10-year period (as a minimum)."

Another area that has recently started to be under the RCC's scrutiny, according to Diaconu, "is that of cases of exploitation of superior bargaining position, with two ongoing investigations (in the medical sector and in the auto services sector). These mark the beginning of the RCC enforcement in the exploitation of superior bargaining position cases, showing that enforcement tools under the *Unfair Competition Law no. 11/1991* should not be disregarded by the business environment." Also, "foreign direct investment screening procedures continue to be among the highlights of RCC's recent activity," she says. "The authority has recently begun efforts to ensure greater transparency of their practice, publishing an impressive 167 foreign direct investment (FDI) decisions, illustrating the extensive reach of a national screening mechanism."

Finally, Act Legal WMWP Partner Roman Hager reports that the "European Central Bank (ECB) has become an increasingly active player in the oversight of mergers and acquisitions within the Eurozone's banking sector. As the central authority under the Single Supervisory Mechanism, the ECB is responsible for ensuring the stability and soundness of significant financial institutions. In recent years, its role in banking M&A transactions has expanded, with the ECB now taking a more hands-on approach in ownership control assessments and regulatory approvals." One key area where the ECB has increased its focus, according to Hager, "is in assessing the financial health and resources of the acquirer. The regulator now requires detailed disclosures of the buyer's funding sources and its ability to sustain the target institution post-acquisition. The ECB also evaluates the prospective owner's business model, management capabilities, and governance structure, with a specific focus on long-term sustainability and adherence to regulatory standards." As a result, "acquirers and their legal and financial advisors must now be better prepared for the ECB's intensified scrutiny," he notes. The impact of this expanded role on individual member states, including Austria, has yet to be seen.

In Broader Related News

Sileikyte also says that Lithuania is emerging as "one of the first European Union members to establish a pioneering AI testing environment, known as the 'AI Sandbox.'" This initiative, according to her, "will provide technology companies with a secure space to develop, test, and refine AI solutions before their market introduction, fostering innovation and enhancing competitiveness on a global scale. The Lithuanian Government has approved new regulations designating the Innovation Agency and the Communications Regulatory Authority as the primary institutions responsible for AI sector implementation. The Innovation Agency will evaluate organizations aspiring to become notified bodies and offer AI system assessment services throughout the EU, ensuring compliance with the AI Act's requirements. Meanwhile, the Communications Regulatory Authority will oversee market supervision of AI systems."

Finally, Doklestic Repic & Gajin Partner Marko Repic highlights that "in October 2024, Serbia granted its first greenhouse gas emission permit to Nikola Tesla Airport in Belgrade under the 2021 *Climate Change Law*, marking a pivotal development in the enforcement of mandatory monitoring and reporting for the industrial and energy sectors. This permit introduces new climate-related requirements, particularly around carbon neutrality, as Serbia steps up its alignment with international and EU climate regulations." With the rising relevance of sustainability and regulatory pressures in the energy sector, Repic notes that "these developments will inevitably influence M&A trends, corporate valuations, and even long-term strategy decisions."

THE CORNER OFFICE: NEW PRACTICE DEVELOPMENT STRATEGY

In The Corner Office, we ask Managing Partners at law firms across Central and Eastern Europe about their backgrounds, strategies, and responsibilities. This time around we turn our attention to setting up new practices and ask: When launching a new practice, what is your go-to strategy – do you look at internal team members to spearhead it, or are you more likely to turn to lateral hires? Why?

Irena Georgieva, PPG Lawyers, Bulgaria: As PPG Lawyers is a boutique law firm focused on regulatory matters we primarily work with high-level experts in specific fields. Typically, these are members of our team who possess expertise in multiple areas, such as personal data protection, cybersecurity, AI, or, for example, competition law, consumer protection, and public procurement. We also maintain a network of external consultants with specialized knowledge in areas that are less frequently requested by our clients. However, we are prepared with trusted professionals who are familiar to us and whom we rely on.

For this reason, my first preference is to assign someone from our team if the new practice area aligns with their expertise. If that's not feasible, I would turn to our Of Counsels. Only as a third option, and after a thorough market analysis and assessment of needs, would I consider hiring new people.

We promise our clients a level of expertise well above the industry average in the specific areas we consult on and ensuring that a new hire is fully prepared to take on a client is becoming an increasingly challenging task. Therefore, we are cautious in bringing on new talent until we are confident in their capabilities.

Lukas Michalik, Ments, Slovakia: When launching a new practice, our strategy at Ments is to primarily turn to lateral hires. The main logic is that spearheading a practice requires not only subject matter expertise but also proven experience in running a practice and managing a client portfolio. Internal team members, while highly skilled, often lack the experience needed to lead a new practice from the outset or are preoccupied with other practice areas.

Lateral hires bring a significant advantage in that they typically come with established client relationships, which can immediately benefit the new practice. This approach helps ensure that the practice gains momentum quickly and contributes to the firm's growth from day one. Additionally, lateral hires often have industry insight and networks that provide fresh opportunities for expansion, making them more likely to enhance our firm's turnover possibilities. This combined value of leadership experience and client acquisition makes lateral hires the preferred choice for Ments when launching a new practice.

We have just opened a new dispute resolution practice group through the lateral hire of a new team from another law firm. We thus put our hypothesis to test – ask me in one or two years, how it went.

Kostadin Sirleshtov, CMS, Bulgaria: Usually, the official launching of a new practice is preceded by actual work on such matters provided by other practice groups. In such cases, we would always go for internal candidates for the job and promote them. This is what we did for the recent employment sub-team and the expansion of our real estate team.

There are also situations where you need to start a new practice group from scratch and the current team lacks sufficient skills and experience. This is when we source externally. A few years back we had to establish our tax team and given the limited experience that the current team had, we went for a lateral hire.

So far, we have not regretted either of these decisions.

Mykola Stetsenko, Avellum, Ukraine: At Avellum we always begin by evaluating our internal team members. Our firm is deeply committed to fostering growth from within, and we believe in creating opportunities for our existing lawyers to take on leadership roles. When launching a new practice, we see it as an ideal platform to develop and challenge talented individuals who have demonstrated the potential to step up.

This approach aligns with our long-term strategy of nurturing future Partners from within our ranks. In fact, when a new practice area shows significant potential for growth, it can create a strong case for an internal team member to eventually rise to partnership. By doing so, we ensure continuity in our firm's culture and values, as those promoted have a deep understanding of our ethos and operational standards.

That said, in cases where specific expertise or market needs are required that we do not possess internally, we are open to lateral hires. But our priority remains to empower our own people to grow, as they are already integrated into our firm's vision and are often best positioned to lead new initiatives with a sense of loyalty and commitment.

Ivana Ruzicic, PR Legal, Serbia: When launching a new practice, our go-to strategy is to prioritize our existing team members. We firmly believe in supporting organic growth and development within our firm. By empowering our current colleagues to expand their skills and interests, we not only enhance their professional journeys but also enrich the value of our services.

Our approach fosters a culture of continuous learning and improvement. We encourage team members to pursue advanced training, explore new areas of law, and take on leadership roles in emerging practices. This cultivates a sense of ownership and commitment among staff and ensures that our clients benefit from a team that is both knowledgeable and passionate about their work.

Clients recognize and appreciate this dedication, as it translates into tailored, high-quality legal services that meet their diverse needs. While lateral hires can bring fresh perspectives, our priority remains on nurturing the talent we have. By investing in our team's growth, we build a resilient and adaptive practice that is well-positioned for the future.

Pal Jalsovszky, Jalsovszky, Hungary: Choosing the right candidate from an internal pool would, obviously, be the optimal solution. But it rather works the other way around. We realize that one of our senior lawyers has gained a special expertise in a given field and then we build the new practice line around them.

In other cases, we are just lucky. We have in the back of our mind the idea to open a new service line and the ideal (and open) candidate just appears on our horizon. Unfortunately, it rarely happens.

The most difficult exercise is to build a new practice with no one on board. You will need to dig into long lists prepared by headhunters, conduct long interviews, analyze the candidates, and hope that you will succeed in the end. In the legal profession, it is extremely difficult to move someone from their current senior position. You need to have ideal timing, an aptitude for financial investment, and a good persuasive power.

Akos Fehervary, Baker McKenzie, Hungary: At our firm, our team members always look for new trends and opportunities, engage in extensive discussions with market participants, and are keen to learn about new developments. This often results in the creation of new service lines or practices based on market input. We also focus on streamlining the relevant expertise and industry knowledge of our practices and practitioners. This approach not only allows us to build on existing relationships and trust within the firm but also aligns with our philosophy of nurturing homegrown talent. We believe that investing in our team's professional growth creates stronger, more cohesive practices.

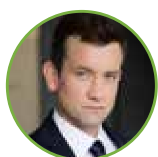
For example, we recently formulated a dedicated compliance & investigations practice, which will be led by the lead attorney of our employment practice – Nora Ovary-Papp. Nora has already built a reputation within the firm and among our clients for handling complex regulatory issues, making her the ideal choice to drive this new practice forward. She is coordinating the work and knowledge sharing within other relevant practices, such as competition law, tax, and data privacy, which have also gained significant experience in such matters and can strengthen each other to provide comprehensive services to clients.

Tomas Bagdanskis, Widen, Lithuania: When launching a new practice, my go-to strategy is to prioritize internal team members over lateral hires. This approach stems from a deep understanding of our existing talent and their capabilities. By focusing on our team, we not only leverage the skills and knowledge of individuals we already know, but we also foster a culture of growth and development within the firm.

Promoting internal team members to lead new initiatives provides them with opportunities to reveal their potential and take on new challenges. This not only boosts their confidence but also enhances their commitment to the firm. It reinforces our culture of continuous learning, encouraging other team members to pursue their own professional development.

Moreover, internal candidates are already aligned with the firm's values and objectives, which can lead to smoother implementation of new practices. They possess institutional knowledge that can be invaluable in navigating the complexities of a new initiative.

While lateral hires can bring fresh perspectives and expertise, I believe that nurturing our existing talent is a more sustainable strategy for long-term success. By investing in our team, we cultivate leaders from within and create a more cohesive and resilient organization that is adaptable to change.



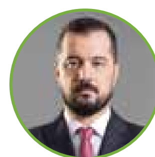
Michal Konieczny, KWKR, Poland: When launching a new law practice, I strongly prefer entrusting the task to a proven internal expert. This approach offers significant advantages over hiring externally.

An internal candidate intimately understands the firm's specifics, procedures, inter-practice cooperation, and relationships with support teams. This accelerates the implementation process and enables faster market entry. They also grasp the nuances of resource management within the firm, crucial for developing a new area.

Knowing the individual's strengths and weaknesses allows for tailored organizational support, optimizing their talents, and minimizing potential difficulties. Their established internal network facilitates cross-practice collaboration and increases operational efficiency.

Choosing an external candidate risks cultural misalignment and a longer adaptation period, potentially delaying the practice launch and incurring additional costs. A new hire would need time to learn both industry specifics and organizational functioning.

Ultimately, assigning an internal team member leverages synergies between existing practices and the new area, crucial for the firm's overall success. They can more easily identify cross-selling opportunities and build a comprehensive client offering. This approach should be viewed as a natural step in professional development, with the new practice introduction resembling evolution rather than revolution.



Octavian Popescu, Popescu & Asociatii, Romania: When launching a new practice, we consider the available resources. As a partner who has navigated similar decisions, I believe both internal promotions and lateral hiring have unique advantages, and the decision should be aligned with the firm's long-term goals.

Internal promotions have a major advantage due to a proper understanding of the firm's culture, clients, and internal processes. We prioritize internal team members because this approach fosters loyalty, rewards dedication, and encourages organic growth. Having developed alongside the firm, they are aligned with our values and operational methods. Additionally, internal promotions motivate the entire team, creating a sense of progression.

However, we remain open to lateral hires when there is a need for specialized expertise that we currently lack or when entering highly competitive sectors where a proven track record is essential. Also, bringing in external talent can offer fresh perspectives, industry insights, and client networks that accelerate growth. Ideally, we are looking for a balance: building on internal talent while complementing with strategic lateral hires.

Thus, the decision depends on the firm's goals, available internal expertise, and competitive landscape of the practice area.

By carefully assessing all factors, we ensure the new practice is launched effectively and positioned for long-term success.

Bogdan Gecic, Gecic Law, Serbia: Our approach is centered on fostering and expanding talent within our internal team. We have cultivated a strong culture of excellence, and providing opportunities for our team members to grow with us and step into leadership roles is integral to maintaining this ethos. By investing in our team and prioritizing internal development, we empower leaders who deeply understand our firm's approach, which accelerates the successful launch and growth of new practices. This also allows for seamlessly integrating our values into new practice areas, maintaining consistency, and upholding our high standards of client service.

While our focus remains on internal development, we recognize that lateral hires may be necessary in some instances. When a new practice requires highly specialized expertise or a unique perspective that we do not have internally, bringing in an external professional can add immediate strength and innovation required to drive and develop the practice successfully. However, such decisions are always made with a strategic, long-term vision to ensure sustainable growth and the enduring success of the firm.

Slobodan Doklestic, Doklestic Repic & Gajin, Serbia: When it comes to launching a new practice, my go-to strategy is to look at our internal team members first. We have a wealth of talent and expertise within our firm, and we prioritize recognizing and leveraging these internal strengths. By doing so, we foster a sense of growth and opportunity among our existing team members, which not only boosts morale but also ensures a seamless integration of the new practice within our firm's culture and values.

However, there are instances where lateral hires become necessary, especially when we need to bring in specialized knowledge or experience that is not readily available within our current team. In such cases, we carefully select individuals whose skills and values align with our firm's vision.

In summary, our first choice is always to empower our internal team members, as we believe in nurturing and developing our own talent. But we also remain open to lateral hires when the situation calls for it, ensuring we have the right expertise to deliver the best results for our clients.

Timur Bondaryev, Arzinger, Ukraine: While introducing new practice areas/industries our first choice is always internal resources. We strongly believe that this is the most natural and right approach, given that "insiders" much better understand the culture of the firm, internal policies and politics, goals, and strategy and are generally much more integrated. There is much more trust in internal team members, and we have managed to develop a culture, where people are not afraid to challenge themselves, helping the firm to boost the turnover, expand its presence on the market, and increase the market share. In such a case the ROI should be much more predictable.

Having said this, in some cases, it's worth considering lateral hires, especially if a unique practice area is on the table and there is no relevant internal track record, or if rapid growth in available practice areas of the firm is anticipated and lawyers already in the team are not ready yet to embrace the expected swift expansion.

To avoid misunderstanding, Arzinger has always been very open to laterals, moreover, our immense growth all across the sectors and practice areas over the last years originates from lateral hires.

Panagiotis Drakopoulos, Drakopoulos, Greece: We would opt for a combined strategy, leveraging the positive aspects while minimizing the weaknesses of both approaches.

As a matter of fact, in the context of our continuous strive to stay at the forefront of developments, we recently launched our new data and digital practice, which now includes cybersecurity and AI and technologies, in addition to our existing privacy and TMT workstreams.

We decided to both make lateral hires and allocate internal resources to the new team: the new hires, led by one of the very few experts in the field both in Greece and the wider region, combining legal and technical knowledge – a rarity in our profession – have provided our firm with a significant competitive edge. Additionally, integrating existing team members into the new practice has infused the team with essential qualities, ensuring a smooth integration within Drakopoulos.

DEAL EXPANDED: ARATIDEN – THE LARGEST RENEWABLE ESG PROJECT IN BULGARIA TO DATE

By Andrija Djonovic

On June 3, 2023, CEE Legal Matters reported that CMS helped Global Biomet obtain a license for a photovoltaic plant in its portfolio – the 100-megawatt AC capacity Aratiden project – before the Bulgarian State Energy and Water Regulatory Commission. With it now successfully completed, CMS Sofia Partner Kostadin Sirleshtov reflects on the project.

CEELM: First of all, congratulations on the successful completion of the Aratiden 100 MW photovoltaic project! What was CMS' role in it?

Sirleshtov: Thank you! We joined the Aratiden project at its very beginning in 2019, participating from its initial development stages on behalf of the developer. Our mandate was to support the project in all legal aspects, including the investor's ESG program, ensuring that every facet of the project adhered to the highest environmental, social, and governance standards and beyond. Upon completion of the sale of the project to one of the largest Bulgarian renewable energy investors, Global Biomet, CMS continued to assist the new investor in all legal aspects of the project.

CEELM: What was the composition of your team for the project?

Sirleshtov: Given the complexity of the project, it was led by me and Borislava Piperkova, our Head of Renewables at CMS Sofia. I was coordinating the legal aspects of the entire development and the ESG program, while Borislava was taking the lead with the legal due diligence, negotiations with the investors and some of the suppliers, and the financing. Our senior lawyer Elena Yotova-Yordanova was taking the lead with licensing. The three of us were in charge of the tens of litigation cases that were initiated in relation to the project. More than ten Partners and Associates from the office were involved.

CEELM: The project encompasses extensive ESG elements. How did CMS specifically contribute to the environmental aspects, such as conducting dual environmental assessments and establishing ongoing monitoring programs?

Sirleshtov: We played a critical role in facilitating the preparation, completion, and justification of the two independent and comprehensive environmental assessments for the two stages of the project, each spanning 18-24 months. Furthermore, we initiated an ongoing environmental monitoring program that will last for at least three years, ensuring continuous compliance and transparency with Bulgarian environmental authorities. CMS Sofia was also instrumental in implementing all ESG elements of the project, including donations, local governance matters, and the like.

CEELM: What were the most significant legal challenges CMS encountered during the project, particularly concerning the ESG components, and how did your team address and overcome them?

Sirleshtov: One major challenge was addressing appeals from environmental NGOs and neighboring production facilities. We had to ensure that the Environmental Impact Assessments complied fully with both EU and Bulgarian legislation and that the Bulgarian courts adhered to this view. Through meticulous legal work and collaboration with the excellent environmental teams, who prepared these reports, we managed to defend these before the Ministry of Environment and Waters and Bulgarian administrative courts, which confirmed the project's adherence to best environmental practices.

Additionally, during the project implementation, investors held seven public hearings to present various stages and gather public feedback. These were all organized and led by CMS Sofia.

The land acquisition was conducted transparently, providing

fair market compensation to the landowners and this process was also managed by us.

CEELM: The project required navigating complex regulatory frameworks both locally and within the EU. What unique legal considerations did this entail, and how did CMS manage these complexities?

Sirleshtov: Navigating these frameworks demanded a thorough understanding of both local and EU regulations, as well as a deep dive into local municipal regulations. We ensured that all Environmental Impact Assessments met the stringent requirements of EU directives and Bulgarian laws. This involved ongoing dialogue with regulatory bodies and adapting our strategies to comply with evolving legal standards. The assistance of the Bulgarian Transmission System Operator (ESO EAD) and their detailed understanding of the role of the Aratiden project in the green transition of Bulgaria played a crucial role.

CEELM: Risk management was highlighted as a crucial aspect of the project. Can you elaborate on the strategies and parallel working groups your team implemented to effectively manage and mitigate these risks?

Sirleshtov: We set up several parallel working groups, each dedicated to different aspects of risk management, including environmental, legal, and operational risks. This multi-faceted approach enabled us to proactively identify and address potential challenges before they could affect the project. Consequently, by adhering to the high health and safety standards established by Bulgarian legislation, we achieved zero fatal incidents. As a result, the Aratiden project was completed successfully and is now operational in less than five years since its initiation.

CEELM: What about the sustainability initiatives and their importance to the project?

Sirleshtov: In 2022, Aratiden's developers donated a substantial sum to the Municipality of Kyustendil to create new forests and ensure that no existing forests were used for the project, preserving its sustainability. All generated waste was managed sustainably, with some materials donated to the municipality for dual use. Notably, the Aratiden project requires no water usage during its operational lifetime.

Between 2023 and 2024, Aratiden donated and installed seven rooftop photovoltaic plants on municipal buildings in Kyustendil, enhancing the local electricity supply's sustainably. Additionally, by paying over EUR 1 million in municipal fees, Aratiden became the largest investor in Kyustendil, contributing more than 10% to the municipality's local income.

Beyond environmental efforts, the project demonstrated strong social responsibility. In 2019, the developers made a major COVID-19-related donation to the local hospital in Kyustendil. Then, in 2024, they followed up with a significant donation for a modern ambulance for local citizens and tourists. Additionally, Aratiden provides annual donations for traditional celebrations organized by the villages of Dvorishte and Konyavo, as well as for the annual clean-up of local cemeteries.

And, this year as well, the developers invested in refurbishing the road to Dvorishte village which ensured that access to the village is free and undisturbed for all its members, promoting non-discriminatory connectivity and enhancing local infrastructure.

CEELM: From your perspective, what are the most significant achievements of the project in terms of its ESG impact and the legal framework established?

Sirleshtov: The most significant achievements include the expected reduction of carbon dioxide emissions by 237,900 tons over 30 years and the likely generation of 4,350 gigawatt-hours of renewable energy. The project also set an unprecedented benchmark for environmental compliance in Bulgaria by conducting two independent environmental assessments and establishing a rigorous monitoring program.

More than 650 workers and senior management were involved during the implementation of the project. As a result of the investment, Aratiden has created more than 20 new permanent jobs, most of which are filled locally.

CEELM: Looking back at the project, what was, in your view, the key element for success?

Sirleshtov: Our team in Sofia can manage all the legal, ESG, financing, regulatory, environmental, and tax matters about the implementation of the most challenging renewable energy projects from start to finish in record timeframes.

The ESG elements of the Aratiden project were groundbreaking and this was made possible predominantly due to the support of the central and the local government, combined with the solid moral and ethical commitments of the investor. Working as one team with the client contributed to these win-win-win results for the investor, the lawyers involved, and the community.

MARKET SPOTLIGHT: SERBIA

ACTIVITY OVERVIEW: SERBIA

The Firms with the most Deals covered by CEE Legal Matters in Serbia, between January 1, 2023, and October 15, 2024.

1.	NKO Partners	28
2.	Schoenherr	22
3.	Karanovic & Partners	21
4.	BDK Advokati	14
5.	Cvjeticanin & Partners	10
6.	Harrisons	10

The Partners with the most Deals covered by CEE Legal Matters in Serbia, between January 1, 2023, and October 15, 2024.

1.	Djordje Nikolic	27
2.	Branko Jankovic	11
3.	Igor Zivkovski	9
4.	Vladimir Dasic	8
5.	Aleksandar Preradovic	7
6.	Nenad Cvjeticanin	7

LA GRANDE NOUVELLE DU JOUR: SERBIA AND FRANCE SIGN TRANSFORMATIVE AGREEMENTS

By Andrija Djonovic

Serbia and France recently deepened their bilateral relations by signing multiple strategic agreements during French President Emmanuel Macron's visit to Belgrade. These agreements span multiple sectors and are poised to have profound impacts on Serbia's economy, business environment, and legislative landscape. Doklestic Repic & Gajin Partner Slobodan Doklestic and NKO Partners Partner Petar Orlic look at these agreements and their anticipated effects.

Strategic Agreements Sealed

During President Macron's visit, 11 strategic agreements were signed between Serbia and France, focusing on enhancing cooperation in sectors such as defense, infrastructure, energy, ecology, and technology.

"The agreements are very significant for Serbia," Doklestic begins. He goes on to say they include a "*Memorandum of Understanding between the Government of Serbia and the French Development Agency regarding mutual cooperation, Annex 2 to the Agreement between the Government of Serbia and the Government of France on cooperation in implementing priority projects in Serbia*, and a contract for the procurement of Rafale aircraft and associated goods and services."

These agreements focus mainly on "defense, infrastructure, technology, and cultural exchange," Orlic explains. "Among these, the defense cooperation agreement stands out, as it aims to enhance military collaboration and facilitate technology transfer. Additionally, there are agreements related to infrastructure projects that will address transportation and energy needs." Orlic believes that these initiatives "mark a significant step in deepening the economic and political relationship between Serbia and France."

Strengthening Existing Ties

The strengthened relations between Serbia and France align with Serbia's strategic economic and political objectives, particularly its path toward European integration and attracting foreign investment. These agreements aim to enhance bilateral relations and bring mutual benefits to both nations.

"The establishment of good and strong relations between the two countries was confirmed back in 2011 when Serbia and France signed the *Agreement on Strategic Partnership and Cooperation*," Doklestic explains. "In the following years, there has been a noted rise in the relations between these two nations. President Macron's visit, along with the signing of bilateral agreements in the fields of energy, defense, and ecology, is yet another confirmation of the good cooperation and mutual support between the two countries." According to Doklestic, Serbia needs strong relations and support from major economies like France to "strengthen its market and continue its path toward Euro-integration. We view the cooperation between the two countries as highly beneficial for both sides – this will further stimulate the interest of French companies in investing and doing business in Serbia."

Echoing Doklestic's sentiment, Orlic highlights the mutual benefits and strategic importance. "For Serbia, these agreements are crucial for attracting foreign investment, especially from EU nations, which can help drive economic growth and modernization. In the first seven months of 2024, FDI inflow to Serbia amounted to EUR 2.8 billion, which is 7.2% higher compared to the same period of the previous year. Serbia wants to carry on in that direction and entice more French FDI which, according to the latest figures, was 8.5% of the overall total FDI in 2023. It also bolsters Serbia's position in a complex geopolitical landscape," he explains.

"For France, these treaties symbolize a commitment to promoting stability in the Balkans, which is essential for regional security," Orlic adds. "The expected benefits are mutual; increased trade, investment opportunities, and stronger cultural ties will help both nations grow closer."

Hopes for Economic Boost

The agreements are expected to have significant short-term and long-term impacts on Serbia's economy and business environment, particularly in sectors like defense, infrastructure, technology, renewable energy, and ecology.

"The agreements contribute to strengthening the economic cooperation between the two countries," Doklestic states. "French companies will be engaged in various long-term infrastructure projects of significant importance to Serbia and its citizens. Overall, the agreements will largely assist Serbia's eco-

Petar Orlic,
Partner,
NKO Partners

Slobodan Doklestic,
Partner,
Doklestic Repic & Gajin

logical and energy transition, which is crucial for the country."

Orlic agrees, adding that "in the short term, sectors such as defense and infrastructure are likely to see a boost from new investments, leading to job creation and economic activity. Looking to the longer term, these treaties should help diversify Serbia's economy, particularly through advancements in technology and innovation." He believes the most influence will be noticed "in areas like defense technology, renewable energy, and transportation infrastructure, which will be vital for sustainable growth."

Sustainability and Innovation

The agreements include specific legal provisions aimed at promoting sustainable development, environmental protection, and technological innovation in Serbia.

"*Annex 2 of the Agreement between the Government of Serbia and the Government of France on cooperation in implementing priority projects in Serbia* outlines numerous projects and their execution within Serbia," Doklestic points out. "Among others, the projects include those that will contribute to environmental protection and the strengthening of artificial intelligence infrastructure. Especially, with significant financial support from France, Serbia will make substantial investment in a wastewater treatment and management system in Veliko Selo."

Orlic adds that the agreements contain "important legal provisions aimed at promoting sustainable development and environmental protection. For example, there are commitments to adhere to international environmental standards and initiatives to support renewable energy projects. This focus on sustainability aligns Serbia with global best practices and shows a commitment to responsible development."

Regulatory Overhaul Incoming

The implementation of these agreements is expected to influence regulatory oversight in sectors such as defense, leading to the adoption of new legislative measures.

"It is certain that these agreements between Serbia and France will facilitate the adoption of new legislative measures that will ensure the implementation of agreed projects," Doklestic mentions. "Presumably, there will be a series of international loan agreements, which will be ratified in the Serbian Parliament and which will directly designate certain French companies that will be involved in the respective projects," he posits.

"Regarding regulatory oversight, these agreements are likely to foster and encourage the enhancement of frameworks in sectors like defense and infrastructure," Orlic notes. "Several analysts anticipate the introduction of legislative measures that will introduce stricter procurement processes and improve transparency. These steps will not only ensure compliance with regulations but also boost investor confidence in Serbia's business environment."

Finally, the treaties may also lead to changes in labor laws, intellectual property rights, and trade regulations in Serbia, aligning them more closely with international standards. This harmonization is expected to enhance Serbia's competitiveness and attractiveness to foreign investors. "Expectantly, these agreements will lead to further harmonization of Serbian laws with the EU *acquis communautaire*," Doklestic says. "This will unequivocally affirm France's support for Serbia's Euro-integration."

"The treaties are expected to motivate the Serbian government to bring about potential changes in labor laws, intellectual property rights, and trade regulations," Orlic provides further insight. "A variety of experts expect to see revisions to labor laws to align them with international standards and adapt to new business practices, which will help create a more competitive workforce. Additionally, strengthening intellectual property rights will be crucial for attracting technology investments." Orlic stresses in conclusion that "trade regulations might also see adjustments to streamline processes and enhance integration with France, ultimately making Serbia more competitive in the global market." ●

MARKET SNAPSHOT: SERBIA

New Legal Framework on the Horizon for Cybersecurity in Serbia

By Bogdan Ivanisevic, Senior Partner, BDK Advokati

By the spring of 2025, Serbia will likely have a new cybersecurity law. The law is aimed at bringing the national legal framework in line with that in Europe as expressed in the *NIS2 Directive* (2022). The draft law that passed the process of the public consultation in 2023 and underwent minor additional changes in 2024 (Draft Law) nevertheless differs from NIS2 in certain important aspects.

The existing *Information Security Act* in Serbia was enacted in January 2016, half a year before the adoption of *Directive (EU) 2016/1148* (NIS Directive). In 2019, the Serbian legislature amended the 2016 law to align it with the NIS Directive.

Compared to the existing law from 2016, the Draft Law comprises a wider range of entities that are subject to the law and introduces new obligations concerning risk assessment, frequency of compliance checks, mandatory protection measures, and incident reporting. The Draft Law distinguishes – as does the *NIS2 Directive* – between two relevant categories of the operators of information and communications technology (ICT) systems: "essential" and "important" entities.

The Draft Law attaches much lesser significance to the distinction between essential and important entities than does the *NIS2 Directive*. In particular, the Draft Law does not submit the essential entities more than the important ones to proactive and intrusive supervision by the cybersecurity authorities. The only differences under the Draft Law are the following ones: mandatory compliance checks are to take place twice a year for the essential entities and once a year for the important ones, and essential entities can be fined for certain violations of the law with RSD 2 million (approximately EUR 17,000), whereas the maximum fine for violations by the important entities is twice as low.

Generally, in comparison to the *NIS2 Directive*, the Draft Law has stricter formal requirements, but the enforcer's hand is significantly lighter than under the EU directive.

Internal acts and compliance checks: The Draft Law requires more frequent compliance checks than the *NIS2 Directive* and the implementing laws adopted by early October 2024 in the EU member states (Croatia, Belgium, Latvia, and Italy specifically).

Incident handling: A dozen provisions in the draft law put high demands before the operators of ICT systems. Even the early incident notification needs to be detailed, and intermediate reports are mandatory and frequent. Companies and organizations falling within the scope of the law are also required to submit annual statistical reports to the authorities and to report on near misses that amount to serious threats to the security of ICT systems.

Protection measures: The Draft Law sets forth 34 organizational, people, technological, and physical controls to protect ICT systems. The number of explicitly enumerated cybersecurity risk-management measures in the *NIS2 Directive* (Article 21) and the recently enacted cybersecurity laws in the member states is far lower, and the measures are formulated at a higher level of generality.

Where the Draft Law departs from the *NIS2 Directive* the most is on the issue of sanctions for the failure to meet the law's requirements.

Under the directive, the competent authorities of the EU member states may order temporary suspension of certification or authorization concerning part or all of the services provided, or activities carried out, by the essential entity. Authorities may also prohibit temporarily individuals at the chief executive officer or legal representative level in the essential entity from exercising managerial functions in the entity. Neither of these measures is included in the Draft Law in Serbia.

As stated above, the Draft Law sets the maximum fines for violations of the law at EUR 17,000 for the essential entities and half that amount for the important entities. These are negligible figures compared to those under the *NIS2 Directive*: the bigger of a maximum of at least EUR 10 million or a maximum of at least 2% of the total worldwide annual turnover in the preceding financial year of the undertaking to which the essential entity belongs, and EUR 7 million or 1.4% respectively in the case of important entities.

Assuming, then, that the final version of the cybersecurity law will lack provisions that ensure meaningful deterrence, the strongest motive for Serbian companies to comply with the law will be not the fear of its enforcement but the interest in protecting themselves from cyber threats and incidents.

The Future of Finance in Serbia: How Legislative Changes in Payment Services, Banking, and Consumer Protection Will Impact the Market

By Jelisaveta Janic, Partner, VP Law Firm

The Serbian financial sector is undergoing significant changes, with recent and upcoming legislative reforms set to reshape its landscape. The *Payment Services Law*, adopted on July 31, 2024, introduces key regulatory updates aimed at modernizing payment systems and aligning them with European standards. Additionally, amendments to the *Banking Law* and the new *Financial Consumer Protection Law* are expected to be adopted soon, further strengthening the regulatory framework. Together, these changes are expected to have a profound impact on market participants, from traditional banks to fintech companies, as well as consumers, who stand to benefit from enhanced protections and greater transparency.

The *Payment Services Law* aligns Serbia's financial sector with EU directives, particularly the *PSD2*, thus promoting open banking. This allows third-party providers to access (with consent) bank-held customer data, fostering competition and creating opportunities for fintech companies to offer personalized payment solutions.

The law also lays the groundwork for Serbia's SEPA accession. While Serbia has had its own instant payment system since 2018, real benefits will arrive once it is connected to the EU's Target Instant Payment Settlement (TIPS), which will make cross-border payments faster and more cost-effective for businesses engaged in international trade. Another key update is the introduction of strong customer authentication, requiring multi-factor authentication for online payments. This security measure will enhance consumer protection by reducing fraud, thus increasing trust in digital payment systems.

For traditional banks, these changes present both challenges and opportunities. Banks must adapt their infrastructure to meet compliance requirements while also collaborating with fintech companies to develop services such as digital wallets and instant payments. From a consumer perspective, the law increases transparency and security, providing a safer environment for online transactions and fostering greater trust in the financial system.

The *Banking Law* amendments introduce enhanced oversight through improved reporting and increased transparency, requiring the publication of new types of supervisory reports. Additionally, the amendments establish a Bank Restructuring Fund, managed by the National Bank of Serbia (NBS) without the status of a separate legal entity. This fund is expected to contribute to the stability of the banking sector.

Another important change is the increase in the threshold for acquiring a qualifying holding from 5% to 10%, aligning it with European standards. Raising the threshold could stimulate investment in the banking sector, giving potential investors more room to acquire significant stakes without requiring regulatory approval. This increase could enhance competition and contribute to market growth.

The draft *Financial Consumer Protection Law* introduces significant changes aimed at safeguarding consumers, particularly by placing stricter limits on interest rates. One key provision is the introduction of a lower interest rate for overdue monetary obligations, set to be 2% lower than the general default rate, which will also cap the effective interest rate for new loans. The law also caps nominal interest rates on variable-rate loans and fixed-rate mortgages based on the average weighted interest rate determined by the NBS. For instance, newly approved mortgage loans will be capped at one-fifth above the average rate, while older loans will follow temporary NBS measures limiting rate increases until 2026. Similar caps will apply to cash and consumer loans, with a limit set at one-quarter above the average rate. These caps aim to prevent sudden spikes in interest rates, particularly for credit cards and overdrafts, where rates have historically been high. The law will cap effective interest rates on credit cards at 6% above the default rate, while overdrafts will be capped at 8%. For example, the effective interest rate for overdrafts, which previously reached 28.41%, will now be capped at 20%.

These measures have received criticism from the banking industry. Some argue that interest rate caps could distort competition by creating a gap between risk-based pricing and legally mandated rates, potentially leading banks to deny credit to higher-risk customers. There are also concerns that reduced loan interest rates, especially for credit cards and overdrafts, could lead to lower deposit interest rates as banks adjust to protect their margins. The NBS defends the measures, arguing that they are intended to stabilize the market amid inflationary pressures and protect consumers from excessive rate hikes.

While these legislative changes promise to enhance transparency, security, and stability in Serbia's financial sector, their full impact on both consumers and the industry remains to be seen. Monitoring how market participants adapt to the new regulatory framework, particularly in balancing consumer protection with potential challenges, will be crucial in the coming years.

What Is Hindering the Growth of the Digital Asset Market in Serbia – Regulation or Fear of Uncertainty?

By Uros Zigic, Partner, MMD Advokati

Excitement was high when, just over three years ago, the *Law on Digital Assets* came into effect, positioning Serbia as a pioneer among countries recognizing the development opportunities of advanced technologies that lacked a regulatory framework to reach their full potential. This was followed by a protracted period of enacting secondary legislation, alongside global macroeconomic turbulence, which inevitably impacted the development of industries and markets, especially those that are "young" and insufficiently mature. Despite the enthusiasm and efforts of the local Web3 community and advocates for using digital assets as a tool to boost the national economy, these hurdles appear to have significantly slowed the anticipated growth.

However, with the onset of a new bull market globally, characterized by rising crypto asset prices, increased media attention, and capital influx into the industry, it is time to critically and objectively analyze whether the stagnation of market development should solely be blamed on the macroeconomic situation or if there are other factors within our control.

Analyzing the current regulatory framework while avoiding a detailed discussion of detected deficiencies and inadequacies in certain legal solutions, it seems that the quality of regulation is not the main roadblock to development – although it does not sufficiently stimulate it either. In defense of the legislators, it must be noted that significant efforts were made to integrate and identify the specific characteristics of digital assets within existing legal standards already established by legal tradition. Nevertheless, given the presence of hybrid elements and distinct specificities concerning the nature of digital assets, it was challenging to be creative while maintaining a certain level of conservatism aimed at preserving market stability.

In some areas, the legislature successfully balanced these challenges, but this cannot be said for the entire legal framework governing this field. Perhaps, the seeds of difficulties in business practice lie in the fact that the law explicitly excludes liability of the state and competent authorities for any damage a market participant might suffer regarding digital asset transactions. Such disclaimers of liability via legislation, beyond being highly unusual, create a poor market environment, especially when companies need to embrace new technologies and market potentials. This leaves private and public actors with the impression of murky business dealings and potentially harmful projects.

Conversely, this waiver did not reassure the National Bank of Serbia, SEC, and commercial banks. Rather, it had the opposite effect, leading them to view it as a gray area of activity they should avoid interacting with, or that they should protect themselves with strict formalism, regardless of how such an approach undermines this progressive technology and dynamic market. Businesses that have dared to leverage the opportunities and tools offered by the law often face uncertainties due to insufficiently developed practices, subsequently creating uncertainty – one of the greatest adversaries to any market or industry. The second adversary is the fear caused by a lack of understanding of this subject, both from the private and public sectors. All these factors collectively affect market activity and development.

On the other hand, one must recognize the positive developments occurring in the market, of which a few are noteworthy. The National Bank of Serbia has granted licenses to two local exchanges fully authorized to provide digital asset-related services under strictly controlled regulatory conditions. The SEC has approved the publication of five white papers for companies financing their operations through digital token issuance, making them pioneers in the market. The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism at the Council of Europe recently reported that Serbia is largely compliant with *FATF Recommendation 15* regarding digital assets.

Optimism is further fueled by the recent establishment of the Digital Asset Council within the Serbian Chamber of Commerce, modeled after similar bodies in Switzerland and the UAE. This Council consists of representatives from the government, local administration, as well as the business and academic communities involved with the digital asset market. Its focus spans three main areas: education, development, and the promotion of digital assets and the opportunities this market potentially offers. Adequate education appears to be crucial for future development, to alleviate the private sector's fears on one side and to reduce the excessive formalism in the public sector on the other. I expect that the engagement and experience of this Council will be beneficial to legislators during the next round of regulatory revisions, hopefully in the near future.

Serbia's Renewable Energy Sector

By Radovan Grbovic, Partner, and Sara Ostojic, Senior Associate, SOG in cooperation with Kinstellar

Serbia's renewable energy market is in the midst of transformation, driven by domestic reforms and international partnerships – most recently, with the governments of France and the USA in the field of energy efficiency.

The government is working to diversify its energy portfolio and production away from coal and toward greener solutions. It is notable that these efforts align with EU energy standards and environmental goals which heavily influence Serbia's national action plans. Serbia's favorable geography offers great potential for hydropower and wind and solar energy, making these sources central to its strategy. In 2023, the government held auctions for granting contracts for difference, allocating incentives for 400 megawatts of wind and 50 megawatts of solar power projects. These incentives are part of a broader plan to increase Serbia's renewable energy capacity in the near future. Foreign investments have been key and include a USD 2.18 billion commitment from Chinese companies for a 1.5-gigawatt wind farm and a 500-megawatt solar power plant. These projects would reduce Serbia's dependence on lignite and imported energy. Certain challenges remain. One of them revolves around the legal and regulatory hurdles for constructing renewable energy projects, particularly the complexities involving land rights.

Legal Challenges and Land Rights

One of the least expected challenges for renewable energy projects in Serbia is acquiring appropriate land rights. The Serbian legislative body did provide an opportunity for investors to have a certain level of security in this sense. Under Article 69 of Serbia's *Law on Planning and Construction*, investors are granted statutory rights to use the land for power plant projects, in relation to using the access roads for construction and using the land for laying the underground cables (i.e., installing overhead lines).

Even though there is a clear provision regulating this particular question, investors faced difficulties in the past when competent authorities required additional documentation in this regard. The request for additional documentation was linked to securing appropriate rights to use the land either via lease or easement even, regardless and despite statutory rights that were in place. Additional requests of certain authorities and inconsistent practice of the authorities occurred prior to filing the request on commencement of construction works (in the construction phase) or the investor coming to the point of obtaining the use permit.

The inconsistent practice of authorities created a situation in which the approach of investors to this topic would vary significantly even before construction began. Some investors chose to fully secure land rights through lease, easement, or purchase agreements in addition to the statutory right prior to beginning construction, while others relied solely on the statutory rights granted under Article 69. A third group of investors used a mixed approach, purchasing/leasing part of the land and relying on statutory rights for the rest – especially for land whose owners were not eager to participate.

Opportunities for Reform and Legal Clarity

To mitigate any kind of challenges in this regard, there is a need for more concrete regulatory guidance. The Ministry of Mining and Energy could play a role by issuing binding guidelines to standardize the approach to land rights for renewable energy projects, which would serve to establish clearer guidelines for state authorities and secretariats on land usage. This could foster a more stable investment environment. Generally speaking and regardless of a particular issue, such reforms would reduce legal uncertainties and streamline the development process, encouraging more consistent investment. More concretely, a formal opinion from the competent ministry could help resolve the question that investors often have prior to entering or acquiring a project in Serbia. Also, having in place an official interpretation by state authorities would ensure that all investors operate under the same guidelines and expectations when securing land for projects, thus removing barriers to renewable energy development.

Conclusion

In conclusion, Serbia's renewable energy market offers significant opportunities, especially in wind and solar energy. There are still certain other open items and issues that may come up in the process of developing and constructing a wind or solar power plant in Serbia, however, due to the rise and need for these types of investments, state authorities and investors find a way to overcome the obstacles in order to fulfill the common goal – developing renewable projects as greener and cleaner solutions for electricity production. Regardless of the circumstances surrounding concrete issues that investors face in the renewables sector, addressing any type of legal uncertainties is crucial for Serbia to attract investment and develop renewable energy projects, contributing to a more sustainable energy future.

The Impact of Artificial Intelligence on Personal Data Protection: Challenges and Opportunities

By Nenad Cvjeticanin, Managing Partner, Cvjeticanin & Partners

The advancement of technologies, particularly artificial intelligence (AI), inevitably affects our daily lives and raises important questions regarding privacy protection. This article explores the key aspects of the relations between artificial intelligence and personal data protection, with a particular focus on the European *Regulation on Artificial Intelligence* (AI Act) in relation to the *General Data Protection Regulation* (GDPR), as well as the legislation of Serbia.

Artificial Intelligence and Data Protection: New Horizons

Artificial intelligence presents significant benefits but also substantial challenges. AI algorithms can analyze vast amounts of data, including personal data, which can enhance business model efficiency and forecast new trends. However, this technology often operates in a "black box" – its mechanisms and decisions are not always transparent, potentially undermining individuals' personal data. For instance, facial recognition systems, credit scoring assessments, and employment decision-making processes frequently utilize sensitive personal data without a clear legal basis for this kind of processing.

Artificial intelligence can infringe upon citizens' privacy and freedom, especially when deployed in areas such as public safety. Law enforcement agencies, health institutions, and private companies utilize citizens' data, raising concerns regarding security and accountability. While data facilitates more effective decision-making, there is a risk of misuse, particularly if companies or states fail to implement adequate protective measures. In this context, proper regulation is essential for building trust and ensuring the protection of fundamental rights.

The Role of the AI Act

The European Union has recognized the need for the regulation of artificial intelligence, leading to the enactment of the *Regulation on Artificial Intelligence* on August 1, 2024. The European *Regulation on Artificial Intelligence* aims to strike a balance between innovation and citizen protection. Particular attention is given to ethical issues, such as algorithm transparency, non-discrimination, human intervention, and accountability. It is emphasized that the EU's goal is to safeguard the rule of law from "technological governance," which is crucial for the preservation of democracy and the protection of fundamental human rights.

GDPR and AI Act Relations

The GDPR and AI Act operate synergistically concerning personal data. The GDPR provides a framework for personal data protection, encompassing rules regarding the legality of processing, processing purposes, and individual rights. When AI systems utilize personal data, it is incumbent upon them to ensure that such data is processed in compliance with the GDPR.

One of the primary challenges is automated decision-making based on algorithms. The GDPR acknowledges in Article 22 the right of an individual not to be subject to decision-making based solely on automated processing that has legal or similar to legal effects. This protection encompasses assessments of personal characteristics such as economic status, health, or behavior that produce legal consequences or significantly impact the individual. In practice, this may include credit denial or automatic candidate selection for employment.

In instances where personal data is used to train AI models, companies must ensure that their processing complies with both legal frameworks. This necessitates clearly defining the processing purpose and achieving legitimate bases for data utilization.

The Future of Artificial Intelligence Regulation in Serbia

Serbia is actively working on the adoption of the *Law on Artificial Intelligence*, with a draft expected to be completed by mid-2025. Given Serbia's obligations toward the European Union through the *Stabilization and Association Agreement*, it is anticipated that the law will be largely aligned with the *EU Regulation on Artificial Intelligence*.

New Regional Development on AI-Processed Personal Data

At a meeting held in Sarajevo on September 4, 2024, independent supervisory authorities from Serbia, Montenegro, and Bosnia and Herzegovina agreed on a coordinated response toward Meta and X due to violations of privacy regulations in the region. The meeting was convened in light of these companies' disregard for user privacy, as they have neither designated representatives for data processing in the region nor provided prior notifications to users regarding the processing of data for the purpose of artificial intelligence development. The Commissioner of Serbia, the Agency of Montenegro, and the Agency of Bosnia and Herzegovina plan to undertake joint activities and address the European Data Protection Board (EDPB) and the Irish Data Protection Commission in order to put additional pressure on Meta to alter its practice.

Developments in Serbian Anti-Trust Practice: A High-Profile Case Against Major Retailers

By Damjan Despotovic, Partner, DNVG Attorneys

On October 10, 2024, the Serbian Commission for the Protection of Competition (Commission) launched an investigation against four large retail chains – Delhaize Serbia, Mercator-S, Univerexport, and DIS – over possible anti-competitive practices, i.e., alleged retail price-fixing and coordination. The four major retailers account for over 50% of the Serbian retail market.

The decision to open an official investigation was preceded by a sector analysis conducted by the Commission for the period between 2018 and 2022, which revealed suspicious patterns and trends in the market in terms of retail prices, profits, and margins. This, in turn, prompted the Commission to conduct a more in-depth investigation of the market and the business practices of the companies involved, culminating in unannounced inspections (dawn raids) at the business premises of the four retail chains, as well as of price comparison application Cenoteka – a third party in the proceedings. The Commission also collected evidence from other retailers as well as relevant suppliers (producers, importers, and distributors).

In particular, the Commission found that price increases during the period observed were significantly higher than the rate of inflation, while the parties' revenues and profits also increased significantly. The fact that prices and revenues increased faster than costs is underlined by the fact that the parties' gross margin rose from 19% in 2016 to 38% in 2023.

The Commission also analyzed the price evolution for 35 selected products over the last five months, concluding that the parties maintained almost identical prices for the observed products in their retail outlets, although their upstream prices were not the same.

The Commission also noted other facts indicating a lack of competition between the parties. Specifically, a new "player" entered the market in 2018, which led to the assumption that there would be a drop in prices due to increased competitive pressure. However, it turned out that the opposite was the case. Finally, based on a comparison of prices of specific basic products (mostly food products), it was determined that another retailer (not encompassed by the proceedings) offered significantly lower prices, in spite of the fact that it had the least favorable purchase terms from suppliers.

The Commission concluded that the findings indicate a lack of competitive pressure, which is enough to reasonably assume that the parties are engaged in anti-competitive conduct, such as restrictive agreements aimed at price coordination or tacit collusion with similar effects.

Shortly after the Commission's announcement, the Higher Public Prosecutor initiated a criminal investigation against the parties due to suspicions of criminal offenses.

This scrutiny of major retailers comes amid widespread concerns that retail prices of basic goods are inflated – a sentiment echoed by high-ranking politicians who have acknowledged the issue and pledged action from authorities.

As we await the outcome of the proceedings, it's worth noting that in past cases where the Commission sanctioned restrictive agreements for price coordination, the fines imposed were often far below the maximum threshold of 10% of a company's annual revenue. This raises concerns that such penalties may not serve as adequate deterrents for practices that are highly profitable for offenders but detrimental to consumers. If the Commission concludes that the parties were indeed engaged in price-fixing in this particular case, the legal conditions will likely be met for imposing much higher penalties (closer to the legal maximum) given the magnitude, duration, and impact of the alleged anti-competitive behavior. However, similar circumstances in previous cases resulted in the Commission being relatively lenient with penalties. With the stakes even higher this time, the Commission is likely to face substantial pressure from various stakeholders.

It will also be interesting to see if the investigation uncovers any direct communication between the parties regarding pricing or other forms of coordination. Importantly, express agreements are not necessary to prove a violation of competition law – tacit collusion or coordinated practices, even without formal agreements, can have the same anti-competitive effects and legal implications.

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SLOBODAN DOKLESTIC OF
DOKLESTIC REPIC & GAJIN

Career:

- Lex Adria; Member of the Managing Board; 2019-Present
- Doklestic Repic & Gajin; Managing Partner; 2013-Present
- Karanovic & Nikolic; Partner; 2008-2013
- United Nations Development Programme; Special Legal Advisor in Serbia; 2006-2008

Education:

- University of Kragujevac, Faculty of Law; Ph.D.; 2010
- CEU/Emory Law School; LL.M.; 2005
- University of Belgrade, Faculty of Law; LL.B.; 2003

Favorites:

- Out-of-office activity: Spending time with family, traveling, reading, and trying to stay in shape. During summer: boating and sailing. During winter: skiing
- Quote: "*Cogito, ergo sum*" ("I think, therefore I am") – Rene Descartes
- Book: *Belgrade* by Sinisa Kovacevic
- Movie: *The Martian* by Ridley Scott

Top 5 Projects:

- Advising Philip Morris on its EUR 120 million investment for the expansion of its production facilities in Serbia for novel tobacco products based on "heat but not burn" technology
- Advising Beijing New Building Materials Plc. in relation to their USD 60 million investment into a joint venture with the Ugljevik mine and thermal powerplant in the Republic of Srpska, Bosnia and Herzegovina (a subsidiary of state-owned Electric Power Industry Company)
- Advising NLB Bank in relation to its merger by acquisition of Komercijalna Banka in Montenegro
- Advising Medicover on the acquisition of a chain of medical diagnostics laboratories in the Republic of Serbia and Bosnia and Herzegovina
- Advising Veolia Energy in relation to the public-private partnership project with the City of Belgrade relating to the treatment of waste in the City of Belgrade, reconstruction of the waste landfills at the outskirts of Belgrade, and the construction of energy-from-waste facilities by the private partner, as well as the operation of this project during the contracted 25 years

CEELM: What would you say was the most challenging project you ever worked on and why?

Doklestic: Our most recent projects often seem the most demanding due to their increasing complexity and our ambition to excel. Over time, our memories of past projects fade, and what once seemed intricate becomes less so with experience. If I had to highlight one project, it would be the 2010 strike at Crnogorski Telekom (aka Montenegrin Telekom). As a young lawyer at the start of my career, this project was a rollercoaster. It involved a premium international client, a strong trade union, heated emotions, media coverage, billboards with caricatures of management members, criminal charges, police involvement, and even some veiled threats. Although I later handled more complex and valuable projects, achieving a positive outcome in this one at the start of my career is something I will always remember vividly.

CEELM: And what was your main takeaway from it?

Doklestic: You always have to respect your adversary and treat them with the respect they deserve. That is the only way you will earn their respect. And often, that is the key to success.

CEELM: What is one thing clients likely don't know about you?

Doklestic: When I was a junior lawyer, I was uncomfortable with public speaking. It took me some time and practice to overcome this. Gradually, I became more confident and comfortable in these situations. Now, my clients are often surprised to learn that I ever had this issue.

CEELM: Name one mentor who played a big role in your career and how they impacted you.

Doklestic: If I am to single out one individual who was important for my professional development, it would be Professor Tibor Varady who was my professor in my LL.M. studies and my mentor for my master's thesis. He not only provided me with invaluable legal knowledge and skills but also instilled in me the importance of integrity, perseverance, and dedication to the profession. I am deeply grateful for his mentorship, which has had a lasting impact on my career and personal growth.

CEELM: Name one mentee, you are particularly proud of.

Doklestic: It has been a pleasure to watch Ljubinka Pljevaljcic grow her legal career. She joined our firm right after law school, and I have had the honor of collaborating with her since then. While the days of calling her my mentee are long gone, as she has now been promoted to Partner, I hope I have helped her along the way. Ljubinka is now one of Serbia's leading lawyers in labor law and has become a mentor to many young colleagues in our office.

CEELM: What is the one piece of advice you'd give yourself fresh out of law school?

Doklestic: Never give up. Hard and honest work will always be rewarded. If you put these things together, the result will come.

MARKET SPOTLIGHT: NORTH MACEDONIA

ACTIVITY OVERVIEW: NORTH MACEDONIA

The Firms with the most Deals covered by CEE Legal Matters in North Macedonia, between January 1, 2013, and October 15, 2024.

1.	ODI Law Firm	15
2.	Polenak Law Firm	15
3.	Karanovic & Partners	8
4.	CMS	6
	Schoenherr	6

The Partners with the most Deals covered by CEE Legal Matters in Slovenia, between January 1, 2013, and July 15, 2024.

1.	Gjorgji Georgievski	15
2.	Tatjana Shishkovska	7
3.	Ana Stojanovska	6
4.	Kristijan Polenak	4

GAMBLING: NORTH MACEDONIA'S HIGH-STAKES INDUSTRY

By Teona Gelashvili

In North Macedonia, gambling is more than just a popular pastime – it's a major economic driver. Papazoski and Mishev Law Firm Attorney at Law Ivan Mishev, Law office Emil Miftari Attorney at Law Elena Nikodinovska Miftari, and Polenak Law Firm Partner Metodija Velkov discuss the industry's impact on the economy and the challenges posed by evolving regulations.

A Major Contributor

"The gambling industry is a major economic branch in North Macedonia," Mishev says. Velkov agrees, adding that "casinos, sports betting, and online gambling are highly popular in North Macedonia, especially in cities like Gevgelija near the border with Greece, where large casinos cater to international visitors. A lot of hotels with five stars have also opened casinos within their premises which also attract a lot of the foreign visitors in the country."

Nikodinovska Miftari reports that "according to the Association of Sports Betting Shops of Macedonia (ASOM), the gambling industry contributes more than EUR 250 million to the state's budget and provides employment directly to 7,700 people, and indirectly to 54,000 people. Namely, according to the data provided by ASOM, in 2018, the gambling industry provided EUR 253 million into state and local budgets, of which EUR 135 million from direct revenues and EUR 118 million from indirect revenues from VAT, local fees, payroll contributions and taxes, and lease of office spaces. In addition, gambling companies paid EUR 32 million in salaries for their employees in 2018 and paid EUR 11 million in taxes. Based on the analysis provided by ASOM, the data from 2018, compared to the data for 2017, showed that the gambling industry contribution to the public budget in 2018 increased by 41%."

In comparison to neighboring countries, Velkov notes that "North Macedonia is smaller in terms of revenue, but gambling is a big source of both tax income and employment. The country stands out due to its cross-border tourism from neighboring countries, particularly Greece, where gambling regulations are stricter." According to him, "cities like Gevgelija, which is located near the border with Greece, have become major casino hubs, attracting not only locals but also a large number of foreign visitors."

"In comparison to some neighboring countries that have more restrictive policies, in the Republic of North Macedonia, games of chance are allowed under the conditions prescribed by the law," Nikodinovska Miftari adds. "However, although the gambling industry in the Republic of North Macedonia has had continued growth, it is probably still less significant than countries like Serbia, Croatia, and Montenegro."

Growth Over Time

In terms of the development over the past decade, Mishev highlights that "gambling in North Macedonia and the region has always been a popular activity." Over the last few years, he says, "with the opening of more and more local gambling objects, the introduction of a couple of new online gambling providers, as well as a marketing strategy which covers all major mainstream marketing platforms, gambling's popularity grew significantly."

Gambling, Velkov notes, has been a hot topic in North Macedonia, "especially with the proliferation of sports betting shops and online platforms. The rise of digital gambling platforms has been pivotal. Sports betting is especially popular, aided by the introduction of mobile apps and online casinos, making it easier for people to participate." Velkov also notes that while, in 2020, COVID-19 affected the industry, leading to closures of physical casinos, "the gambling sector quickly rebounded thanks to the surge in online gambling. From that period on, there has been a rise in the popularity of online gambling platforms not only on the side of the customers but also on the side of the gambling providers. A lot of foreign companies have shown interest in investing in the provision of online gambling services."

Elena Nikodinovska Miftari,
Attorney at Law,
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Ivan Mishev,
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Papazoski and Mishev Law Firm

Metodija Velkov,
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Polenak Law Firm

Nikodinovska Miftari attributes some of this growth to the more restrictive policies of neighboring countries, noting, "the restrictive policies of some of the neighboring countries have had a positive effect on it. In addition, practice has shown that generally there is an interest in the population for games of chance."

Mishev says that, as a result of the above, the gaming industry is "present in almost every household in a direct/indirect manner, especially the young generation."

Regulatory Changes and Challenges

As for the regulatory landscape, Velkov says that "the regulatory environment is very focused on responsible gambling. There are strict controls on advertising, which limit the promotion of gambling activities, especially in areas where vulnerable populations might be exposed. Recent efforts have also been made to introduce zoning laws, ensuring that betting shops and casinos are not located near schools or residential areas."

"The gambling market is regulated by the *Law on Games of Chance and Entertainment Games* from 2011 and its amendments," Nikodinovska Miftari explains. "Although, with the initial text, internet games of chance were allowed, no entity organized them, mostly because it required a bigger investment. Therefore, in 2012 with an amendment of the law, a larger opportunity for foreign investment was given. This is mostly because Macedonian citizens were playing internet games of chance on foreign websites which contributed to a significant outflow of funds from the country."

Mishev draws attention to economic implications when it comes to regulating the industry. "Taking into consideration that the gaming industry is a local major economic branch, any changes of the relevant regulations cause major concerns," he notes. "The most recent attempt for change – which has passed the parliamentary process and was formally adopted – has been vetoed by the previous President with the explanation that the changes have not been adopted in accordance with all procedural rules, as well that it would hit the local economy very hard." Still, Mishev says that "after the recent parliamentary elections and with the change of government, one of the first steps that the new political structure undertook was to revoke the licenses for online gambling providers. Additionally, the new government announced the adoption of changes to the gambling legislation with the purpose of introducing stricter rules on the industry and new tax burdens."

Hedging Bets for the Future

Looking forward, Mishev anticipates that "following all recent events, it is highly likely that the gambling industry will continue to be a major factor in the economy of North Macedonia and will grow at a steady pace. Online gambling will certainly be the major focus point in the next few years as it is growing in popularity with each year."

However, future development hinges on regulatory reforms, as Nikodinovska Miftari explains. "At this point, it is still uncertain whether and how the gambling sector would be reformed," she says. "However, certain social, political, and economic aspects will have an influence on legislative reforms, and thus on the future development of the industry."

"Even though the gambling industry can attract potential investments and rise in revenues, it, of course, has its negative side," Velkov notes. "The rise of physical casinos and online betting and gambling platforms can lead the younger generation to a gambling addiction. Indeed, this has sparked a lot of controversies, and there are new proposed amendments to the *Law on the Games of Chance and Entertainment Games*." These amendments, he notes, "aim to introduce stricter restrictions on games of chance because the liberal approach allows more and more young people to become victims of gambling and get addicted to it." ●

GOVERNMENTAL RESHUFFLE IN NORTH MACEDONIA: STREAMLINING FOR GROWTH

By Andrija Djonovic

North Macedonia has undergone a significant governmental reshuffle following its recent elections. Joanidis Founding Partner Biljana Joanidis-Velichkovska discusses these changes and their implications for the country.

Streamlining Government for Effective Policy Making

The government's restructuring centers on creating more streamlined and condensed departments to enhance efficiency. Joanidis-Velichkovska explains that the new governmental structure now comprises 20 ministries, an increase from the previous 17.

"The objective behind the government restructure was creating more streamlined and condensed departments," Joanidis-Velichkovska points out. Key changes involve the reorganization of existing ministries to better align sectors with their appropriate fields of competence. For instance, the Ministry of Economy underwent substantial changes, with Joanidis-Velichkovska reporting that it "had the biggest restructuring. The Foreign Trade sector of the Ministry of Economy was separated and added to the Ministry of Foreign Affairs forming the Ministry of Foreign Affairs and Foreign Trade. The Tourism sector of the Ministry of Economy was separated and added to the Ministry of Culture forming the Ministry of Culture and Tourism." Finally, the "sectors responsible for managing the policies related with energy, mining and mineral resources of the Ministry of Economy were separated and fused together, forming the Ministry of Energy, Mining and Mineral Resources," she explains.

Furthermore, the government also undertook significant restructuring of other ministries to improve efficiency and reflect modern priorities. "The Ministry of Labor and Social Policy and The Ministry of Youth and Sports were dissolved," Joanidis-Velichkovska goes on to say. "The Labor sector was added to the Ministry of Economy forming the Ministry of Economy and Labor. The Youth sector was added to the Social Policy sector forming the Ministry of Social Policy, Demography and Youth, and the Sports sector became the Ministry of Sports."

Joanidis-Velichkovska goes on to report that "the Ministry of Informatic Society and Administration was dissolved. The Informatic Society sector became the Ministry of Digital Transformation, while the Administration sector became the Ministry of Public Administration." Additionally, "the Ministry of Political System and Relations between Communities was dissolved – the Political System sector was added to the Ministry of Public Administration, while the Relations between Communities became the Ministry of Inter-Community Relations." Finally, Joanidis-Velichkovska reports that "the Ministry of Transport and Communications became the Ministry of Transport, with the Communication sector being allocated to different ministries according to their competences."

Expected Impact

These alterations are expected to have a significant impact on policy-making processes, economic development, and North Macedonia's international relations. "These structural changes should streamline the legislative agenda and policy-making processes and lead to more specific decisions and solutions, as a result of the clear, condensed, and structured distribution of powers and responsibilities between the departments," Joanidis-Velichkovska argues. "With such changes, emphasis is placed on better management and resolution of issues related to foreign policy and trade, management of national resources (energy sources and ore and mineral deposits), etc."

While Joanidis-Velichkovska says "it is too early to do proper market research and measure and determine relevant parameters, based on which we could make an accurate analysis and give an appropriate expert opinion," she believes that certain aspects of the reshuffle will have a long-term impact: "we believe that the greatest impact will be caused by the separation of certain sectors from the Ministry of Economy, and their annexation to ministries that have a more appropriate field of competence and authority."

Moreover, Joanidis-Velichkovska believes "that the merger of the departments in the field of economy and labor, as well as the departments in the field of foreign policy and foreign trade, complemented with the separation and independence of the departments in the field of European integration and departments in the field of national resource management, will result in improved and increased foreign investment, international relations, and integration into broader economic communities."

Ultimately, Joanidis-Velichkovska feels that North Macedonia's governmental restructuring represents a "strategic initiative to create a more efficient and focused administration. By aligning ministries more closely with their core competencies and establishing new departments to address contemporary challenges, the government aims to enhance policy-making, boost economic development, and strengthen international relations."

MARKET SNAPSHOT: NORTH MACEDONIA

Why Is North Macedonia a Business Haven in Europe?

By Tamara Slaveska Apostolovski, Attorney at Law, Law Office Tamara Slaveska Apostolovski

North Macedonia, strategically located in the heart of the Balkan Peninsula, south-eastern Europe, is a landlocked country with a unique advantage. Its position between two main European corridors, coupled with political and democratic stability and a favorable tax and regulatory framework, makes North Macedonia a promising destination for potential foreign investors. The country offers abundant possibilities, especially in greenfield investments, renewable energy, software, IT services, logistics, construction, cannabis production, agriculture, food services, tourism, etc.

Favorable Regulatory Framework for Companies' Registration

All legal entities in the country, established by domestic or foreign subjects, must register with the country's *Central Registry*. With the help of certified registration agents (attorneys at law), the one-stop-shop system enables investors to register their businesses within 1-3 business days after completing the necessary documentation. In addition to registering, some companies must obtain additional working licenses or permits from relevant authorities.

Foreign investors can invest directly in all industry and business sectors except those limited by law. For instance, investment in producing weapons and narcotics remains subject to government approval. At the same time, investors in specific sectors, such as banking, financial services, insurance, gambling, and energy, must meet specific licensing requirements.

Legal Forms of Entities for Incorporating a New Business

Companies can be incorporated by domestic and foreign, natural and legal entities on equal grounds, offering a variety of legal forms to suit different business needs. These include a general partnership, limited partnership, limited liability company, joint-stock company, and limited partnership with stocks. The most common form of trade company is the limited liability company (LLC), which functions as a separate legal entity with at least one and up to fifty shareholders who participate with one contribution each in the company's basic capital. The liabilities of such a company cannot be transferred to the shareholders unless in exceptional circumstances (lifting the veil).

Foreign companies that do not intend to establish a company but want to conduct business activities in North Macedonia can open a branch office. Foreign companies wishing to conduct market research and other similar activities (promoting goods and services provided in their country of origin) which do not include commercial activities could establish a representative office. Both branch offices and representative offices are considered functional units of their founder and do not have the status of a separate legal entity.

Favorable Legal Framework for Respecting the Interests of Foreign Investors

Foreign investors enjoy two-level protection under the *Constitution*, including a guarantee for repatriation of the invested capital and gained profits and elimination of the possibility of reducing the rights that arise from the invested capital. North Macedonia's legal and regulatory framework favors foreign investors and provides numerous incentives to attract them. Residents of the member states of the European Union and the Organisation for Economic Cooperation and Development (OECD) have the same status as domestic residents concerning the terms for acquiring residential or business premises, construction land, or a long-term lease of construction land. Foreigners from other countries can become owners, only subject to reciprocity.

Favorable Tax Environment

The tax regime in North Macedonia is among the most competitive for business activities, with one of the lowest tax rates in the world. It includes a 10% corporate income tax, a 10% personal income tax, 0% tax on retained earnings, a 2% to 4% sales tax on real estate and rights, a 0.1% to 0.2% property tax, an 18% VAT (value-added tax), and 5% or 10% VAT on specific items. Additionally, North Macedonia has concluded agreements for double tax avoidance with its country partners from the region and beyond.

Competitive Labor Costs

The minimal gross monthly wage in 2024 is EUR 542, and the average monthly gross wage in July 2024 is EUR 1,001. These include the net salary, personal income tax (10%), and social contributions (28%). Collective agreements define the minimum wage for each professional branch.

Favorable Labor Law

The labor law increases the labor market's flexibility by offering and promoting flexible and different employment contracts and flexible working hours, training programs, and financial and other support for entrepreneurs. The legal framework regulates the employment of foreign persons or persons without nationality upon obtaining a work permit under certain conditions.

Legislative Reforms in North Macedonia: Aligning Capital Market Laws with EU Standards

By Dragan Lazarov, Partner, and Kristina Tomashevska-Blazhevska, Attorney, Law Office Lazarov

The spring of 2024 marked a pivotal shift in the Macedonian financial market, with significant reforms on the horizon. As of March 2024, the related legislative framework has come under intense scrutiny, aiming to align more closely with European directives and capital market regulations. This effort has culminated in the adoption of the new *Law on Financial Instruments* (LFI) and the *Law on Prospectus and Transparency Obligations of Securities Issuers* (LPTOSI). The primary objective of these reforms is to enhance market efficiency and strengthen the stability of the financial system.

The core novelty under the LFI is that all financial instruments, which were up until now available solely to investors on international markets, would become available on the domestic market as well. The issuance of permits and authorizations for investment companies (brokerage houses) will be regulated in accordance with EU standards. Applied more broadly, such standards will also govern the regulation of activities and the organizational structure of relevant service providers, along with the introduction of a risk-based approach that will be adopted toward determining capital requirements for investment companies and other affected entities. Within the scope of this reform, the LFI defines an investment company as a legal entity whose principal activity is to provide one or more investment services to third parties and/or to engage in one or more investment activities on a professional basis.

The LFI also defines the method and conditions for establishing investment companies and their subsidiaries, stipulating that the initial capital must be at least MKD 44.8 million (approximately EUR 728,456). It introduces new regulated markets, specifically trading platforms designed to facilitate the trading of financial instruments on other regulated venues, including multilateral trading platforms (MTPs), organized trading platforms (OTPs), and MTPs registered as SME growth markets. Furthermore, the law implements extensive measures, with greater precision, to detect and prevent market abuse, uphold market integrity, assign responsibility, and ensure greater legal certainty within the capital market.

High-quality information, including annual and semi-annual financial reports, is intended to ensure an appropriate level of transparency for issuers of financial instruments. Alongside these, other measures, such as the disclosure of dominant holders, aim to standardize, enhance relevance, and improve the comparability of market information, benefiting all associated parties regardless of their level of involvement.

The LFI facilitates the establishment of three new entities in the capital market: the OMO (Authorized Publication Mechanism), the DCP (Consolidated Data Provider), and the OMI (Authorized Investment Mechanism). These entities will be licensed to collect data on executed trades within the capital market, gathering information from regulated markets and the investment companies involved.

The Securities Commission's authorizations have been enhanced, allowing it to fulfill its expanded responsibilities related to the introduction of new services, financial instruments, capital requirements, and the regulation of market behavior by capital market participants.

Although an active market for derivative financial instruments – such as futures, options, and emission quotas – does not yet exist domestically, investors in North Macedonia will now be able to invest in derivatives created and traded abroad. This development underscores the need for and supports the creation of capital market infrastructure in North Macedonia that aligns with that of EU member states. The newly established infrastructure, under the new laws, consists of investment companies (brokerage houses), trading data providers, the market operator (stock exchange), and other regulated venues such as the Trading Platform (TTP), Organized Trading Platform (OTP), the Central Securities Depository, and the Investor Compensation Fund.

Although the new law will take effect in September 2025, stakeholders are required to adopt specific bylaws, which are still in the preparatory phase. The Capital Market Supervision Commission plays a central role, given its authority and expertise, in adopting most of the acts under the LFI, ranging from rulebooks on the operations of investment companies to the rules governing the content, format, and deadlines for the submission of annual financial reports and company reports. We can expect further alignment as the new legal framework is fully implemented before September of next year, ensuring compliance by all relevant parties. The successful implementation of these reforms is expected to modernize the capital market, attract foreign investors, and foster greater integration with the European Union's financial systems, thereby enhancing the overall competitiveness and resilience of North Macedonia's financial sector.

North Macedonia's PPP and Infrastructure Progress and Hurdles

By Petar Serdjuk, Partner, Serdjuk Law Firm

In the past few years, North Macedonia has made significant strides in developing its infrastructure. Attracting foreign investors is the main strategy to finance, construct, develop, and manage essential infrastructure projects. The government also engages in PPPs, recognizing their potential to leverage private sector expertise and capital in public service delivery.

North Macedonia's legal framework for PPPs is primarily governed by the *Law on Public-Private Partnerships* enacted in 2012, which provides a clear regulatory basis for engaging private entities in the development and management of public infrastructure. This law outlines the processes for project preparation, selection, and management, ensuring transparency and accountability.

In recent years, the government has amended this framework to simplify procedures and enhance the attractiveness of PPPs for private investors. Key reforms include streamlined approval processes and enhanced risk-sharing arrangements, addressing concerns that have historically deterred private participation.

Key Sectors and Projects

The most active sectors for infrastructure development in North Macedonia include transportation, energy, and water management.

Transportation: The country's transport infrastructure is critical for regional connectivity and economic development. Major projects have included the rehabilitation and expansion of road networks, as well as the modernization and construction of new railways. The construction of Corridor 10 as well as the construction of Corridor 8 are aimed at facilitating transport and trade between countries in the CEE region and Western Balkans and contribute to a faster integration of North Macedonia within the European Union.

Energy: Over the past years, North Macedonia has been transitioning toward renewable energy sources and the government is actively promoting PPPs in this sector. Notable projects include the development of solar and wind energy facilities, which not only aim to diversify the energy mix but also align with the European Union's sustainability goals. Just this year, the government announced the construction of a new wind park around Karbinci, Stip, and Radovis, a project that is worth approximately EUR 500 million.

Water and Waste Management: Addressing environmental concerns and improving public health through efficient water supply and waste management systems have also seen significant engagement. The government has partnered with private firms to develop integrated waste management systems and improve the quality and accessibility of potable water.

Every government in North Macedonia has aimed to develop the infrastructure and engage in PPPs but, despite all the progress made, the major issue of the perception of risk associated with political and regulatory stability persists. Investors often seek assurance that the legal framework will be upheld and that their investments will be protected from abrupt policy changes.

On the opportunity front, North Macedonia's strategic position as a gateway to Southeast Europe presents a unique advantage. The country is well-placed to attract regional investment, particularly in transport and logistics infrastructure. Furthermore, as the EU continues to emphasize infrastructure development in its enlargement strategy, North Macedonia stands to benefit from increased funding and technical assistance.

Recent Developments and Future Outlook

Recent government initiatives have shown a commitment to enhancing infrastructure and the PPP landscape. The establishment of the new Ministry for Energy, Mining, and Mineral Resources aims to facilitate project development in these areas.

Looking ahead, there are a few bigger projects which seem promising. The current government has announced its focus on finishing the development of Corridor 10 and Corridor 8, thus enhancing the quality of the transport networks in the region and facilitating transport and trade between the countries of the Western Balkans. In the energy sector, the development of the new wind park in Karbinci should enable the production of approximately 1 terawatt-hour of electricity, which is approximately 20% of the total electricity production of the country. The completion of the Greek-Macedonian gas pipeline is also an important project for the government, for which the government announced that construction of additional interconnectors to Central and Central-Eastern Europe is the primary objective.

Even though minimizing pollution and the energy transition in general is a hot topic in North Macedonia, the country will have to keep in mind the social aspects of this transition, making sure it secures basic necessities such as heating for its people.

INSIDE INSIGHT: INTERVIEW WITH EMILIJA EVTIMOVA-SPASESKA OF TAV MACEDONIA

By Teona Gelashvili

TAV Macedonia Legal Affairs Manager Emilija Evtimova-Spaseska discusses her journey from law firm partner to in-house counsel and her role in overseeing legal operations for Skopje and Ohrid airports.

CEELM: Let's start with your career leading up to your current role.

Evtimova-Spaseska: After graduating from the Law Faculty Justinian Primus in Skopje, I started working as an Intern in a law firm in Skopje for four years. In that time, I rose through the ranks to Junior Partner. My work as an external consultant provided me with insights into how clients' issues are solved within a team of lawyers. We would come across situations in which we'd work for five days to respond to a one-sentence request from the client – mainly due to not having on-site knowledge of all possible factors, thus creating a huge legal opinion covering aspects that were not even part of the initial request. Still, all our clients were very satisfied with the broad feedback we provided. The main challenge in that type of work for me personally was not having all the information and the implicit risk of providing legal advice that could steer the clients in a direction that was not in their best interest. In the law firm, I learned the importance of waivers which are sometimes longer than the legal opinion itself. That's not just for the protection of the law firm, but more for the protection of the client. The end goal of the waiver is "you provided us with this information and we are providing the legal opinion only based on that information. Should you have other circumstances which you did not or do not wish to disclose to us, we are not certain that this legal opinion is applicable at all." The variety of work I had the privilege to work on in the law firm was amazing – preparations of catalogs and data rooms, due diligence, M&A, registrations and changes of companies, undertakings of property, assets, leases, and sale-purchases of aircraft, supporting in registration of trademarks, legal advice in regards to finance, supporting the preparation of tender procedures, etc.

During my time with the law firm, I took the bar exam and the appropriate licenses for IPPO protection procedures.

Following my experience in the law firm, I became an in-house lawyer for a major IT company, then for a fast-money transfer company, and currently, I'm holding the position of Legal Affairs Manager at TAV Macedonia – the airport operator of Skopje International Airport and Ohrid, St. Paul the Apostle Airport.

Our mother company is TAV Airports, a global brand in financing, developing, and operating airports. As a member of French Groupe ADP, we have a global footprint with a presence in 110 airports in 31 countries. Through its subsidiaries, the group provides integrated services in all areas of airport operations, including duty-free, food and beverage, ground handling, IT, security, and commercial area services. TAV Airports provided services to 96 million passengers in 2023. The company is quoted on the Istanbul Stock Exchange, featured on the BIST Sustainability Index, and committed to achieving net zero emissions in 2050. With no doubt, we can say that TAV Macedonia is part of a huge and complex mechanism that joins different departments and a variety of experts in many different fields.

CEELM: What was the biggest shock when transitioning to the in-house world? On the flip side, what was the most pleasant surprise?

Evtimova-Spaseska: Personally, I did not feel a big shock in the transition. I have always been a dynamic person and following everything and keeping up with the requirements of the new industry was a great challenge. In the law firm, we had clients from different industries while now I have one client with different areas of legal needs.

The aviation business is a big, robust, and simply complex industry that includes almost all aspects of law – both in domestic and international areas. Having the opportunity to practice various areas of the law for cargo and customs regulations, border control, fire-fighting, medical, and labor relations, all for aviation purposes creates a unique environment for practicing law. Fitting together different laws and managing industry changes resulting from economic conditions that affect airports is almost like compiling a big puzzle where each part must be precisely shaped to fit the big picture for a safe and pleasant stay at our port.

CEELM: What has been keeping you and your in-house team busy over the last 12 months?

Evtimova-Spaseska: There is a special kind of magic in everyday work, knowing that the journey of all passengers commences or ends at the airport where I work. My administration and especially operations colleagues' work and my own are part of the effort for the passengers to have a more pleasant and happy journey during their stay at our port. All efforts from all departments and companies working at the airport are in perfect sync to increase the happiness of the passengers.

The legal department has the best customers – the management with all departments and all our colleagues. The support requested from our side in the various aspects of the work varies from compiling and/or reviewing various types of agreements, regulations, decisions, and procedures, to legal aspects in project finance when it comes to the company's growth, initiatives for changes in the laws, i.e., corporate affairs activities, concession agreement rights, to litigations, administrative proceedings, and all related proceedings we are conducting or following up on.

CEELM: How do you decide if you are outsourcing a project or using internal/in-house resources?

Evtimova-Spaseska: The two law firms we work with have been engaged for over 10 years by us. Since our in-house team is on the rather small side, we use them for anything and everything. Having law firms that know us and the business to the core enables us to consult them on complex projects like concession agreements to simple drafting of service agreements if the whole team is unavailable.

CEELM: What do you foresee to be the main challenges for GCs in North Macedonia in the near/mid future?

Evtimova-Spaseska: The separation of Yugoslavia and the transition period of the Republic of Macedonia to now North Macedonia left consequences that are both useful and challenging. While we strive to benefit from modern technologies and utilize them in every step of our work, we still have to go in person to certain institutions, submit written requests for various matters, and come back after the appropriate time to take a written document. However, there have been many liberations from paperwork in certain areas and the legislators are planning further improvements bit by bit.

With the new Ministry for Digital Transformation and our country's EU accession aspirations, I believe that the initiatives for digitalization of procedures will proceed on a fast track.

The digital transformation of the whole juridical system will be one of the main challenges in the forthcoming years and I'm cheering for a successful transition in this area. Our generation's efforts will meet the new generation's needs, resulting in simplified legal procedures and, thus, smoother processes of corporate law.

KNOW YOUR LAWYER: DRAGAN LAZAROV OF LAW OFFICE LAZAROV

Career:

- Law Office Lazarov; Managing Partner; 2015-Present
- Government of the Republic of North Macedonia; Head of Legal Department; 2011-2015
- Deputy Prime Minister Office; Chief of Staff of the Deputy Prime Minister in charge of European Affairs; 2009-2011

Education:

- European Center for Peace and Development; Ph.D. in International Business Law; ongoing
- University of Ss Cyril and Methodius Skopje – Law Faculty Iustinianus I; LL.M.; 2012
- University of Ss Cyril and Methodius Skopje – Law Faculty Iustinianus I – BA Law; 2009

Favorites:

- Out-of-office activity: Cooking as a hobby and a passion #thelawyerwhocooks
- Quote: "Love the hand that fate deals you and play it as your own (*Amor fati*)" – Marcus Aurelius
- Book: *Meditations* by Marcus Aurelius
- Movie: *Primal Fear*, 1996

Top 5 Projects

- Advising the Ministry of Finance of North Macedonia and the EBRD on the development of a legal and regulatory framework for derivatives and repos for North Macedonia. Supporting regulatory reforms to enable a legal framework for derivatives and repos, specifically close-out netting
- Establishing a Business Interest Group for a group of retail supermarkets – Elida, Tamaro, Misa, Montenegro – a challenging quest from a competition point of view with a concept that is successfully overcoming the test of time
- Advising the Government of North Macedonia on legislative reform to introduce a Nexus tax regime in free economic zones
- Advising Euromaxx Resources on the merger of two exploitation concessions in the biggest gold mine project in the country
- Advising on M&A and competition aspects for V+O – an international marketing company – in forming the strategic alliance with SEC Newgate

CEELM: What would you say was the most challenging project you ever worked on and why?

Lazarov: The multidisciplinary advisory work for Ilovitza-Shtuka, the biggest gold/copper mining project in the country. We were acting on the side of the investor for what is still the biggest foreign investment in the country (EUR 450 million). The main task was merging two mining concessions into one, but also many other aspects that this merger implied. It was a challenging task because of the complexity of the legal framework in this field and the need to comply with the international standards of the investor.

CEELM: And what was your main takeaway from it?

Lazarov: Balancing between the interests of the state and an investor in a specifically complex project requires a lot of soft skills beyond the legal scope of the task. Navigating a backdated legal framework for a client and a project operating at a top international level required a lot of careful maneuvering, which really reflects the need for an upgrade of the current legislation.

CEELM: What is one thing clients likely don't know about you?

Lazarov: I remember every case and project I've worked on, and I often subconsciously process key details in my mind, even while doing completely different things. It certainly helps with generating those eureka moments but I do wish I would be better at "switching off" at times. That's why I enjoy such moments in the kitchen cooking my favorite Italian recipes and relaxing my mind and senses to get ready for new challenges.

CEELM: Name one mentor who played a big role in your career and how they impacted you.

Lazarov: My father. I literally grew up in a courtroom with my father. Ever since I can remember he was a judge and the president of the Basic Court in Shtip – my hometown. As a kid I used to spend a lot of time with him in his office and the court, getting to know the legal profession first-hand. When my decision to enroll in law school was official, he continued mentoring me from a practical aspect, which is very rare in formal education. My apprenticeship as a lawyer began under his supervision. Even today, sometimes a simple word of advice from him can steer me in the right direction.

CEELM: Name one mentee, you are particularly proud of.

Lazarov: We always choose our people in the most competitive and transparent manner, through a series of interviews and practical knowledge tests. We continue with that approach in mentoring and developing our people. In such a process, Blazhe Aytov, now an Attorney, has gone a long way in a relatively short time in his career with us and is on an excellent track.

CEELM: What is the one piece of advice you'd give yourself fresh out of law school?

Lazarov: Trust me, you don't know anything. Don't try too hard to apply something you don't know – rather focus on putting into use the knowledge you gained in law school and never stop developing yourself and your skills besides your legal knowledge.

EXPERTS REVIEW: LABOR

This issue's Experts Review section focuses on Labor. Preceded by a look at Digital Nomads in Croatia, Montenegro, and Serbia (Page 60) and at how AI is redefining HR in CEE (Page 62), the articles are presented ranked by labor force per country, according to World Bank 2023 data. The labor force comprises people ages 15 and older who supply labor for the production of goods and services during a specified period.

Ukraine and Poland are among the frontrunners with front runners with the highest number of the labor force, and North Macedonia and Kosovo are the last.

Country	Value (Thousands)	Page
Ukraine	20,311.70	Page 64
Poland	18,387.40	Page 65
Romania	8,282.42	Page 66
Czech Republic	5,502.17	Page 67
Hungary	5,005.56	Page 68
Austria	4,825.39	Page 69
Greece	4,645.36	Page 70
Serbia	3,333.43	Page 71
Slovakia	2,823.08	Page 72
Croatia	1,744.22	Page 73
Lithuania	1,509.77	Page 74
Moldova	1,464.17	Page 75
Slovenia	1,055.49	Page 76
North Macedonia	801.20	Page 77
Kosovo	548.0*	Page 78

*Kosovo Agency of Statistics data available only.

DIGITAL NOMADS IN CROATIA, MONTENEGRO, AND SERBIA

By Andrija Djonovic

Central and Eastern Europe is increasingly on the radar of digital nomads seeking new destinations. The countries they flock to see their markets impacted – for better or worse – with both opportunities and challenges aplenty. Babic & Partners Partner Marija Gregoric and JPM & Partners Partner Jelena Nikolic analyze these impacts.

Nomad Origins: Who's Coming?

Digital nomads from around the globe are choosing CEE countries like Croatia, Serbia, and Montenegro for various reasons.

"According to information published by Croatian authorities, the most represented nations among applicants who successfully obtained the Digital Nomad Visa in Croatia are Russia (35%) and Ukraine (27%), distantly followed by USA (13%), UK, Australia, and Canada," Gregoric begins. She notes that Croatia's program "mostly attracts individuals fleeing from the armed conflict but still wishing to stay relatively close to their home." Additionally, digital nomads are drawn to the "affordable living conditions, great geographic location, and the natural and cultural beauties offered by Croatia."

Nikolic observes a similar trend in Serbia. "Digital nomads primarily come from Russia, the USA, Canada, and Great Britain. They often choose Serbia because of its hospitality, moderate climate, favorable living costs, safety, and rich cultural offerings," she says. As for Montenegro, while official data is lacking, Nikolic mentions that there is an impression that people are mostly coming from "Asian and European countries." Attractive factors include "lots of tourist attractions, impressive nature, a calming lifestyle, affordable living expenses, and favorable legal framework for business operations."

Market Impact: Pros and Cons

In Croatia, "digital nomads represent only a small fraction of foreigners visiting Croatia and therefore have a relatively small impact on the Croatian market in general," Gregoric notes.

In Serbia, "with the foreign currencies they bring and spend in the country, digital nomads influence the increase of foreign exchange reserves, GDP, and public revenues," Nikolic reports. "They significantly influence the overall demand for housing, and subsequently lead to a rise in rental prices." She goes on to add that "a large influx of digital nomads has pushed locals out, and co-working spaces have replaced local shops and working-class bars."

On the flipside, in Montenegro, the impact is positive, with Nikolic highlighting "the opening of some new markets," increased digitalization, and an increase in business activity spurred by new investments.

Visa Paths

In terms of the legal frameworks themselves, approaches to attracting digital nomads differ. Croatia is already ahead of the curve, having introduced the Digital Nomad Visa (DNV) in 2021. "Subject to different requirements, a third-country national intending to stay in Croatia for up to one year and work for a non-Croatian employer remotely, exclusively through

Jelena Nikolic, Partner, JPM Partners

Marija Gregoric, Partner, Babic & Partners

means of IT communications, may be granted a DNV," Gregoric explains.

Similarly, Montenegro has a framework in place – the *Program for Attracting Digital Nomads by 2025*. "The main goals are to develop a favorable environment for the stay of digital nomads and increase the recognition of Montenegro as an attractive destination," Nikolic explains. "Montenegro has aligned all related regulations and has attracted a number of digital nomads since introducing it in 2022."

On the other hand, Serbia has yet to officially recognize digital nomads. "All digital nomads must enter and reside in Serbia as regular tourists," Nikolic says. Still, she does mention that new regulations are anticipated, "considering that digital nomads have become increasingly present in Serbia."

Tax Breaks: Enticing Nomads

When it comes to attracting digital nomads, tax incentives appear to be crucial. In Croatia, Gregoric points out, "digital nomads being granted a DNV are exempt from paying income tax, as well as pension insurance and health insurance contributions throughout the validity of the DNV." She contrasts this with neighboring countries, stating that "non-EU countries neighboring Croatia such as Serbia, or Bosnia and Herzegovina do not have any institutionalized program for digital nomads, whereas other countries in the region, such as Hungary, do offer a digital nomad visa but with fewer tax incentives."

"Given that digital nomads haven't been officially recognized in Serbia, there are still no tax incentives or breaks," Nikolic explains, adding: "Digital nomads who reside in Serbia for a short period are not obliged to pay any taxes on their foreign income." However, she cautions that "if they reside longer than 183 days, they become Serbian residents and therefore become taxpayers on personal income tax regarding income from foreign countries."

In Montenegro, favorable tax policies are squarely in place. "A person who earns income from an employer not registered in Montenegro, based on the acquired digital nomad status in accordance with the law regulating the residence and work of foreigners, has a right to exemption from personal income tax," Nikolic explains. She believes that, "this approach in Montenegro is very attractive" since digital nomads "face certainty in terms of their business and work."

Limited Impact on Legislature

Digital nomads' influence on the legal landscape of the countries they choose to stay in is limited but growing. "While remote workers have sparked some movement in legal adaptations, such as the introduction of the digital nomad visa and related tax and social security benefits, the actual influence of digital nomads on Croatia's legal landscape remains quite limited due to their relatively small numbers," Gregoric explains.

In Serbia, "digital nomads have only yet been noticed by the authorities as a category; however, Serbian legislation does not keep pace with changes in modern work models and therefore has not yet legally regulated their labor, tax, or social status," Nikolic observes. For Montenegro, she notes that "there is not much impact", as digital nomads are "mainly exempt from such regulations."

Looking Ahead

Taking aim at the road ahead, both argue in favor of measures to attract more digital nomads while ensuring mutual benefits.

"We believe that the key measures to be considered for attracting more digital nomads in Croatia include streamlining visa applications by reducing documentation and speeding up approvals, adjusting the requirements to allow nomads to work with local clients, promoting cultural exchange, and implementing targeted marketing campaigns showcasing positive experiences," Gregoric proposes for Croatia.

As for Serbia, Nikolic argues the country "should follow the example of Croatia and Montenegro, and legally define the term digital nomads, prescribe a digital nomad visa and residence regime that will enable them a longer stay, prescribe a one-stop-shop administration procedure for obtaining such visas and permits, and prescribe favorable tax regime and incentives." For Montenegro, she posits that it is "the perfect destination for digital nomads with relaxed conditions to obtain digital nomad visas and there may be more promotion and marketing targeting digital nomads worldwide." Still, she believes that space for some future improvements may be found in ensuring the possibility of applying for digital nomad visas electronically.

THE AI SHIFT: HOW TECHNOLOGY IS REDEFINING HR

By Andrija Djonovic

CMS Partners Daniela Kroemer, Dragana Bajic, Tomasz Sancewicz, and Katalin Horvath discuss the growing role of AI in HR across CEE and delve into its current applications, regulatory challenges, and the broader impact on workplace dynamics.

CEELM: How is AI being used in HR right now, and where is it having the biggest impact?

Horvath: The main areas where AI is used in HR are recruiting, onboarding of new people, performance assessment and prediction, monitoring of employees and their IT devices, termination processes, HR administration, and career path planning.

Sancewicz: Indeed, AI is widely used in recruitment, especially for tasks like reviewing CVs and conducting initial interviews. It can also assess candidates' skills based on the information in their CVs. In some cases, AI even runs the first round of interviews through chatbots, making the process faster and more efficient. This helps save time and, ultimately, money.

Bajic: Beyond hiring, AI is also being used for things like training and onboarding. Some AI systems can conduct interviews using facial recognition and motion detection, assessing and ranking candidates before they even get to talk to a human. There are also AI-driven games that assess skills –quite trendy in recruitment right now. Looking ahead, we might see platforms analyzing individual employee preferences to personalize their work experience throughout their careers.

Horvath: AI can be a powerful tool in HR, but of course, there are cases when a fully AI-driven system does not make the right decision. When one of our clients used a fully automated AI-based hiring process to hire a person who eventually did not fit the team (even though, on paper, the candidate had all the appropriate skills), team members were upset about the lack of human interaction during the recruitment process. AI can operate without biases, but the human touch is always a necessity. As hinted though, AI can avoid biases and discrimination that exist right now, if the teaching method of AI is appropriate.

Kroemer: We're seeing more AI that implicitly monitors the workforce, like quality control systems, which raises significant data privacy concerns. Additionally, AI can have biases, which is tricky and requires being very careful. Given that AI is introduced based on existing data, which is taken from an often biased and structurally discriminatory world, most data will have a bias. My advice is to assume AI has a bias and then continuously test against it.

Sancewicz: I agree. We're at the start of a long road, but even now, it feels like we're getting dangerously close to over-automating everything. It's kind of eerie. Speed is great, but there's a real fear that we're losing the human element in all this.

CEELM: Is AI in HR regulated locally, or does it fall under EU rules?

Kroemer: Right now, we don't have a specific national *AI act* but we have strong legislation on monitoring the workforce and data privacy. I wonder if that's going to stay the same or be amended following EU AI regulations.

Horvath: The upcoming EU *AI Act* will definitely cover AI applications in HR. From next year, emotion detection – used to analyze employee emotions – will be banned except in specific medical or safety contexts. AI systems used in recruitment, termination, performance assessment, employee monitoring, and promotions will be classified as high-risk, with special obligations attached. There are also jurisdiction-specific labor law requirements on the use of AI in workplaces. For example, in Hungary, if an employer wants to introduce a new technology, including AI or a new type of data processing, they need to consult the works council and get their non-binding opinion. There are also special rules on the monitoring of employees via tech solutions, including AI.

Bajic: Serbia isn't part of the EU, but the *AI Act* will have extraterritorial effects and impact software developers in Serbia. We have a working group drafting an AI law, but it's unclear what direction it will take. I believe that the core regulations we need to worry about are already there, such as the GDPR. Until specific issues arise in practice, we should focus on applying data privacy rules more appropriately.

Sancewicz: Similarly, in Poland, we don't have specific laws targeting AI yet, but we do have the GDPR and rules around employee monitoring. Interestingly, trade unions here are starting to push for more transparency around the algorithms employers use, demanding access to them.

Daniela Kroemer, Partner, CMS Austria

Dragana Bajic, Partner, CMS Serbia

Katalin Horvath, Partner, CMS Hungary

Tomasz Sancewicz, Partner, CMS Poland

CEELM: What are the main risks for employees and employers when AI is involved in hiring or management decisions?

Horvath: Employers using AI have to comply with various laws, including the EU *AI Act*, especially when using prohibited or high-risk AI systems. In the case of the latter, employers must apply human oversight, ensure that the input data are appropriate, without biases, and the output (decision by AI) is not discriminative, report AI incidents to the AI provider, and follow the user manuals the AI provider provided. Additionally, AI operations should be logged. If something goes wrong, employers are required to report it. Local labor laws also raise liability issues.

Kroemer: You need to look at it from all angles to ensure compliance, especially with data privacy. Just because you're using AI that is compliant with an *AI act*, doesn't mean you're automatically compliant. The GDPR, for example, comes with big penalties, and if you're using AI without works council approval in Austria, employees can take you to court to stop its use.

Bajic: I'd also highlight that one should always treat AI implementation as a work in progress. HR should be ready to tweak the AI system together with developers. There's flexibility to adjust AI systems as new information, data, and unwanted results surface.

Sancewicz: Legal matters aside, employers should ask themselves whether they want to rely solely on AI and whether they want to become an automated, inhuman organization, or maintain a human face.

CEELM: When HR teams are choosing an AI-powered software provider, what should they consider?

Horvath: Entering into a good contract is crucial for liability issues. Sometimes AI providers want ownership of customer data for the development of the AI system, and a good contract could prevent many disputes. HR teams also need a basic understanding of AI to fully grasp the risks involved.

Kroemer: Be very critical about biases and discrimination, not just when buying but also when using AI. Do not trust it blindly. Oxford Internet Institute Professor Sandra Wachter compared AI to an overly enthusiastic, sloppy employee – you get results quickly, but it may be flawed. The key is to remain vigilant.

Bajic: It's crucial that HR is involved in strategic decisions about implementing AI. HR should know where this might be a real help with minimum risks and which processes to focus on. My advice is to limit the use of AI systems to specific processes – implement it step by step, not across all HR processes.

CEELM: What do you see as future developments in AI for HR?

Kroemer: I believe that AI offers a huge window of opportunity for companies. If you're aware of the risks and have a clear vision, AI can be a booster. It can handle repetitive tasks, allowing employees to be more productive and focus on more positive, interesting things. Additionally, training people will be a big thing in the next 20-30 years.

Sancewicz: Once it becomes truly intelligent, it will be a real game-changer. When AI can predict human behavior and apply it to strategic decisions, that may change how organizations work.

Bajic: AI systems will be great tools for tech-savvy HR people, improving the total employee experience but you need tech-savvy employees who are ready for new models of work and management, including career paths influenced by automated decision-making processes.

Horvath: AI won't steal jobs – the next stage will be cooperation between human employees and AI, and together there are no boundaries. As a future-facing and tech-savvy tech lawyer, I see a bright future for AI in HR. ●

Ukraine: Employee Incentives – Important Employment Law Considerations

By Inesa Letych, Co-Head of Employment and Immigration, Asters

Keeping employees motivated and engaged, and retaining the brightest talent can be an effortful task for businesses. Employers agree that fixed net income and mere compliance with basic employment standards are not sufficient and, thus, promote incentive programs as a recognized instrument to navigate this challenge. While worldwide trends in incentivizing employees are similar, each country has developed a set of its own legislative rules and market practices – and Ukraine is no exception.

Cash Versus Equity Incentives in Ukraine

In many jurisdictions, equity incentives are a very common instrument, especially in relation to top-tier employees and company officers. However, this type of incentive still remains rather new to the Ukrainian market. There are several reasons behind this fact. One of them is the general perception of potential recipients of the incentives. Ukraine is a young economy, thus an inherent shortage of businesses with a long track record, a quickly changing business environment, and a lack of financial and political stability make quick cash more popular among employees compared to participation in long-term equity incentive plans. In addition, the legislative and regulatory environment remains immature and overcomplicated, with numerous FX, securities, and banking control requirements impacting the complexity of the implementation of equity incentives in practice. This means that cash incentives are a dominant choice for practically all types of local businesses in Ukraine.

Parent Company Incentive Plans

From a Ukrainian law perspective, the employer-employee relationship is quite a straightforward one where only two participants – the employee and the employing entity – may have any rights and obligations. There is no concept of a parent entity, and the parent company as such is not supposed to directly participate in relations with employees of its Ukrainian subsidiary. Therefore, the provision of any incentives directly from a parent company remains a grey area in the Ukrainian legal environment. For this reason, receiving or exercising parent company incentives may be complicated for the Ukrainian workforce, and certain provisions of parent company incentive plans may be unenforceable toward them.

Limited Types of Incentives

In addition to regulatory restrictions related to equity incentives, Ukrainian law specifics may make some of the employee benefits that could be common in other jurisdictions unattainable. For example, there are rather detailed rules regarding employees' leaves and their limitations. As a result, paid or unpaid leaves beyond a certain duration, as well as garden leaves, may be contrary to Ukrainian law. Furthermore, private pension schemes or early retirement arrangements are very uncommon in Ukraine due to the specifics of the regulatory environment. In addition, certain group mobility or secondment policies may not be workable for local staff in Ukraine due to a lack of regulation for intragroup relations in employment law.

Incentives Plans Adoption and Trade Union Approvals

As a direct employer is supposed to be solely responsible for relations with its employees, any incentive plan, including group ones, needs to be adopted and issued by the employing Ukrainian entity. Such policies normally must include a Ukrainian-language version. In addition, any incentives of a systematic nature may require the approval of a trade union or other representative body of the majority of employees if there is one within the Ukrainian employer.

Enforceability of Malus and Clawback Provisions

As a general rule, under Ukrainian law, employers are restricted from adopting decisions that worsen the remuneration conditions of their employees. Furthermore, the possibility to request from an employee reimbursement of any payments received by the employee in connection with an employment contract is highly limited. This may make most common malus and clawback provisions of incentive plans unenforceable in Ukraine.

Provision of Incentives to Non-Employees

It is becoming more and more common to offer participation in incentive plans to non-employees such as freelancers or contractors, especially in the IT sector. While Ukrainian labor law does not expressly prohibit similar arrangements, doing so may indicate that the contractors are actually employees, with the risk of reclassifying their contracts into employment ones. This may result in a number of regulatory and financial consequences for the entity that provides such incentives, including fines for undeclared labor.

Incentives in the State Sector

There are a number of rules that restrict types and amounts of incentives in the state sector. Particularly, these rules apply to joint stock companies that have the state among its shareholders. In similar companies, incentives of top managers are limited to certain types of cash bonuses, with the maximum amounts of these bonuses being linked to a number of factors, such as the size and profitability of the enterprise.

Poland: Collusion in the Labor Market – Competition Authority Cracks Down on Anti-Competitive Practices

By Agnieszka Nowak-Blaszczak, Head of Employment, Wolf Theiss

The Polish competition authority – *Urząd Ochrony Konkurencji i Konsumentow* (UOKiK) – is actively investigating potential collusion in the labor market.

In early 2024, the UOKiK conducted searches at the headquarters of Jeronimo Martins Polska, Dino Polska, and associated transport companies. The investigation focuses on whether transport companies working with the Biedronka and Dino retail chains engaged in non-poach arrangements, whereby they agreed not to compete for each other's employees, specifically drivers. If proven, such agreements would restrict job mobility for drivers and slow wage growth.

This case highlights a broader issue: many employers may not fully realize that competition law applies to the labor market in the same way it does to other industries. To address this, the UOKiK has published a guide titled *Collusions in the Labor Market*. The guide offers an analysis of anti-competitive practices in employment.

This guide follows a May 2024 publication by the European Commission called *Antitrust in Labor Markets* which emphasizes that wage-fixing and no-poach agreements qualify as violations under Article 101(1) TFEU and are often handled by national authorities due to their local impact.

Understanding Labor Market Collusion

The UOKiK guide signals a growing interest in preventing collusive practices within the labor market. The guide explains that in competition law, an "agreement" refers broadly to any formal or informal arrangement between two or more parties that influences competition.

For instance, even informal conversations about HR practices or employee information can be seen as anti-competitive if they restrict the ability of companies to compete fairly for talent.

Common Forms of Labor Market Collusion

Wage-fixing agreements: One of the most damaging types of labor market collusion is wage-fixing, where companies agree to set salaries at a fixed level. This practice stifles fair competition for labor, leading to stagnant wages and limited opportunities for employees to negotiate higher pay or better terms.

No-poach agreements: Another prevalent form of collusion is the implementation of no-poach agreements. This practice limits job mobility for workers, making it difficult for them to advance or seek better employment offers. This, in turn, can trap employees in their current positions, preventing them from advancing their careers.

Exchange of employment conditions: Collusion can also occur when companies share sensitive information about employee benefits, health insurance, time off, remote working policies, training programs, etc. This can lead to uniformity in employment conditions and distort competition within the labor market.

Penalties for Violating Competition Law

Companies found guilty of a breach of competition law can face significant penalties, such as up to 10% of a company's turnover of the year preceding the infraction. In addition, individual board members who knowingly violated the ban on anti-competitive agreements may be fined up to PLN 2 million.

What This Means for Employers

The publication of the UOKiK guide should be considered as a clear signal that labor market collusion is under increasing scrutiny. Companies should take this opportunity to review whether they are operating in compliance with the law and train their employees to be aware of the applicable legislation and the risks and regulations around anti-competitive agreements in the labor market.

Romania: The Collective Dismissal Process – How It Operates and Its Legal Implications

By Mihai Anghel, Partner, Tuca Zbarcea & Asociatii

In a constantly changing economy, companies often face the need to adjust their workforce, sometimes resorting to drastic measures such as the collective dismissal process. According to Romanian labor legislation, the process of collective dismissal entails following a rather laborious procedure, aiming to protect both employers and employees in order to prevent abuses and ensure a smoother transition in restructuring situations.

As the reason behind collective redundancies may be related to economic difficulties or technological developments that render certain positions within the company redundant, in essence, collective dismissal refers to the termination of employment contracts of a large group of employees at the employer's initiative, within a 30-day period, for reasons unrelated to them.

Essentially, the starting point for companies in the case of collective dismissals entails the preparation of a restructuring report that encompasses a thorough analysis of the general context for the preparation of the redundancy plan, the current organizational structure, the reasons for applying the envisaged measures, as well as its objectives.

The Concept of Redundancy – The Real and Serious Cause

As the concept of redundancy is based on the company's decision to eliminate jobs, Romanian law states that the suppression of jobs must be effective and the result of a real and serious cause. In this sense, the real and serious reason refers to the company's need to eliminate the jobs in question for objective business reasons that are serious enough to justify such a measure, whilst the effective suppression of the position implies that the said positions have become redundant and must be eliminated from the organizational chart (i.e., no new similar/identical positions are created at the same time and no new employees are recruited for such positions).

In other words, the employer must rigorously justify why the activity in question is no longer relevant to the company. Otherwise, there is a major risk that in the event of disputes, the dismissals would be deemed groundless by courts. If that happens, the dismissal decisions are annulled and the employees are reinstated within the previously suppressed positions, upon their request.

Requirements on Consultations with Trade Unions and Notifying Labor Authorities

In the case collective redundancies are intended, the employer is obliged to initiate, in a timely manner and for the purpose of reaching an agreement, consultations with trade unions/employees' representatives. These consultations should concern at least the methods and means of avoiding collective dismissals and reducing the number of employees to be dismissed. They should also aim to mitigate the consequences of dismissal by resorting to social measures which include, *inter alia*, support for the professional reorientation of the dismissed employees.

At the same time, in order to allow trade unions/employees' representatives to make mitigation proposals, the company is obliged to send them, as well as to the labor authorities, a written notice. This notice should comprise information regarding aspects such as the number and categories of employees to be affected by the collective redundancy measure and the envisaged criteria for establishing the priority order for dismissal.

At a later stage, following consultations with trade unions/employees' representatives, in case the company decides to implement the collective dismissal measure, a new written notice must be transmitted to them and labor authorities at least 30 days prior to the issuance of the dismissal decisions.

Selecting Employees for Collective Redundancy Measures

If there are more employees occupying the same positions to be made redundant and not all of them would be affected by dismissal, the company must proceed to the selection of the employees to be dismissed. In principle, the main criterion to be applied is the one related to professional performance (the results of the latest professional evaluation). The employer may apply subsequent criteria only if such criterion does not suffice in order to set the priority for dismissal among employees (employees have the same results in the latest performance evaluation). Such subsequent criteria might include length of service with the company or social-related criteria.

Considering that collective redundancies also have a great impact/exposure in the press, companies need to cautiously assess the link of causality between the business rationale and the need to implement reorganization measures, such that employees' rights are fully observed.

Czech Republic: Equal Treatment of Employees in M&A Transactions in Light of Recent Case Law

By Helena Hangler, Head of Employment, Schoenherr

In M&A transactions, there is often a transfer of activities and a subsequent transfer of rights and obligations under employment law within the meaning of *European Directive 2001/23/EC on the approximation of the laws of the Member States on safeguarding employees' rights in the event of transfers of undertakings, businesses or parts of under-takings or businesses* (TUPE transfer). As a result, the seller's employees who worked in the transferred establishment will transfer to the buyer. If the buyer has existing em-ployees, the working conditions of the original and new employees may differ. These differences can pertain to salaries and benefits. Are they permissible?

Until recently, the prevailing view was that salary differences among employees resulting from the TUPE transfer did not constitute unequal treatment. It was assumed that the disparity in working conditions arose from the application of a legal norm (the directive and its implementing legislation) and was therefore justified. The Supreme Court of the Czech Republic recently addressed this issue (*21Cdo 2559/2023*). Its conclusions are surprising and will certainly have to be considered in M&A transactions.

The Supreme Court explicitly stated that the transferee employer is entitled to change the terms and conditions of employment from the moment of transfer, even to the detriment of the employees transferred under TUPE regulations. Thus, it accepted that the working conditions of the transferring employees may deteriorate. It further clarified that the TUPE transfer legislation does not, in itself, justify une-qual treatment or permit the existence of different conditions between original and new employees. The buyer is obliged to take measures to eliminate unjustifiable ine-qualities in all areas, particularly in remuneration. This "equalization of terms and conditions of employment" must occur within two months of the TUPE transfer taking effect. After this period, any difference in treatment is no longer justified, except in cases governed by a collective agreement.

The above will apply where the original and the transferred employees perform compa-rable activities. Seen through the lens of the *Labor Code*, this represents so-called equal work or work of equal value (working conditions, complexity, etc.), which will be most easily identifiable when the buyer takes over an enterprise engaged in the same activi-ties as its own. However, in light of *Directive (EU) 2023/970*, to strengthen the applica-tion of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms (Pay Transparen-cy Directive), it is necessary to go further. Even seemingly different jobs must be eval-uated where the difficulty of the work is comparable.

If differences are found, they will need to be reconciled. From a legal perspective, this will undoubtedly be easier where the employer unilaterally regulates wages and oth-er working conditions, particularly by internal regulations or wage assessments. Unfortu-nately, the Supreme Court does not provide guidance on how to proceed where the em-ployees' wage conditions are agreed in the employment contract or wage agreement (the employer is unable to unilaterally modify those terms). Employees will be reluctant to accept a voluntary pay reduction, leaving the buyer with no choice but to increase the wages of the lower-paid employees. This will certainly have a negative impact on the overall cost of the transaction and could affect the intrinsic value of the tar-get being acquired (increased costs may reduce profit margins).

Another option is for the buyer to acquire the transferred establishment through a special purpose vehicle (SPV). This approach would seemingly obscure the possibility of such comparisons, as the employees would formally work for different employers (the buyer and the SPV). However, this issue has been addressed at the European level. It is now clearly referred to in the Pay Transparency Directive that equality of terms and condi-tions must exist even between different employers if there is a "single source es-tab-lishing the terms and conditions." Therefore, if it is still the buyer who ultimately de-termines the terms and conditions of the transferred employees, they can also be com-pared between the buyer's existing establishment and the SPV. However, we believe that this would not apply on a cross-border basis, particularly due to significant differ-ences in the regulation of remuneration, minimum wages, mandatory surcharges, and other factors.

In the event of a breach of the principle of equal treatment, the Labor Inspectorate may impose a fine of up to EUR 40,000. A much greater risk, however, lies in possible private law claims by employees affected by unequal treatment, particularly claims for wage compensation up to the amount of a comparable employee, plus mandatory contribu-tions.

It can therefore be concluded that the importance of employment aspects in M&A trans-actions will continue to grow and that the associated risks should not be underestimated.

Hungary: Lost Momentum? Tightened Rules on the Admission and Right of Residence of Third-Country Nationals

By Ilona Boros, Partner, Szabo Kelemen & Partners Andersen Attorneys

According to the National Employment Service's study on foreign workers, at the end of 2023, there were a total of 87,661 work permits in force, a figure that has increased significantly in the last two years, with only 34,000 valid permits at the end of 2021 and slightly more than 51,000 in 2022. In this labor market environment, the *Act on General Rules for the Admission and Right of Residence of Third-Country Nationals* came into force at the beginning of 2024, which is much more complex than the previous legislation and addresses the residence and employment of third-country nationals in a single streamlined law.

The New Law

The preamble to the act clearly states that it tightens and clarifies the legal titles and conditions of residence and employment of foreign nationals in Hungary. All third-country nationals may reside in Hungary only as long as and in a manner permitted by the Hungarian state, and, as long as there is a Hungarian workforce, jobs must be filled by Hungarian workers.

The legislation introduces new concepts and distinguishes between separate permanent residence titles. It differentiates long-term residence for business or investment purposes (as a guest investor), for employment purposes as a migrant worker (e.g., holding a residence permit issued for the purpose of taking up employment for the implementation of an investment), for the purpose of employment as a highly qualified worker or as an experienced professional in a field of particular importance for the country (e.g., a holder of a Hungarian card, the holder of an EU Blue Card, or an intra-corporate transferee), or for any other reason specified by law (e.g., for study purposes, for medical treatment, or for family reunification).

The time limit for the procedural administration of these residence permits is 21 days from the submission of a complete application. However, the time period for correcting deficiencies (e.g., submitting missing documents) and for carrying out various other procedural actions is not included in this time period. Nevertheless, the new time limit is significantly shorter than in the previous procedure, considering that procedures were at least two months long in the past.

Perhaps one of the most important changes compared to previous legislation is a more vigorous crackdown on illegal migration as well as tightening up rules on asylum seekers. In addition, regulated and rigorous labor market support for large investments is also implemented.

Golden Visa Program

The main condition for obtaining a residence permit for a guest investor, in addition to meeting other, mainly technical and (national) security requirements, is that the guest investor makes one of the following investments in Hungary: (a) the acquisition of a share in an investment fund issued by a real estate fund registered by the Hungarian National Bank in the amount of at least EUR 250,000, (b) acquiring the ownership interest over a property (a residential property with a value of at least EUR 500,000 located and duly registered in the territory of Hungary and free and clear of all liens, claims, and encumbrances with respect to properties acquired after January 1, 2025), or (c) a financial donation in the amount of at least EUR 1 million for a purpose of educational, scientific research, or artistic creation activities to a higher education institution maintained by a public trust with a public-service mission.

The details of the scheme that requires an investment of EUR 250,000 are still being finalized at the time of writing as the legislator and the relevant certification bodies still have a lot of work to do to get the product on the market. In addition, the fact that the residential option will only be available as of January 1, 2025, means that third-country investors will have to wait. They might also face FDI regulations still in force when the programs are in full swing. If the transfer involves real estate indispensable for the exercise of activities in sectors specified in the related government decree also determining the term for the foreign investor (i.e., a national of a state outside the European Union or the European Economic Area) acquiring such real estate, a notification to the minister and approval of the notification might also be required.

Conclusion

Some of the goals set (e.g., creating a clearer and more comprehensible legal environment, and reducing the burden on the authorities) may be achieved by the introduction of the new regulation, but it is questionable whether Hungary will not lose its competitive advantage in the region in the competition for guest workers.

Austria: Mobile Working – New Legislation and Legal Pitfalls

By Stephan Nitzl, Partner, DLA Piper

In recent years, accelerated by the COVID-19 crisis, the Austrian landscape of work has shifted, with remote working becoming a staple in the modern employment environment. In Austria, this development is reflected in the so-called 2021 "Home Office Act" which formalizes fundamental aspects of labor, tax, and social security law. However, the Home Office Act applies only to work performed from home. Although the term "home" is to be interpreted broadly, co-working spaces or other public places – for instance, parks, coffee houses, and others such as hotels – are not covered, leading to legal uncertainty. To address several issues, the new *Mobile Working Act* was passed and will come into force on January 1, 2025, in response to the growing demand for flexibility. The following provides a brief overview of mobile working as well as a few of the legal pitfalls that employers and employees should consider when "working from anywhere."

Definition of Mobile Work

Contrary to the already existing Home Office Act, the new *Mobile Working Act* creates a framework for "teleworking." According to the new act's legal definition, teleworking is when employees regularly perform work using communication technology either at their home or at another location of their choice outside the employer's premises – including public spaces such as parks, coffee houses, co-working spaces, hotel rooms, public means of transportation, libraries, open-air swimming pools, resorts, etc. Such flexibility does not only raise questions regarding social security issues in particular but also imposes data security and data protection risks upon the employer. Thus, not pushing the legal limits and excluding certain places to work may be appropriate.

Right to Mobile Working

Neither employees nor employers have the right to mobile working – nor does either side have the right to unilaterally enforce this flexibility. Similar to the previous legal situation, working outside of the employer's premises must be strictly voluntary, with an agreement between the employer and the employee being imperative and setting out the conditions of mobile working. This agreement does not have to be in writing unless otherwise specified in the applicable collective agreement or employment contract. However, for evidentiary purposes, particularly with regard to data protection and data security, the agreement should appear in writing.

Conditions of Mobile Working

In addition to rules on the provision of equipment such as laptops and mobile phones, the agreement should especially include provisions on the exclusion of certain remote working places, the termination of mobile working, the recording of working hours, duration and extent of mobile working, and the reimbursement of associated costs – however, tax rules currently in force for working from home, according to which up to EUR 300 per year can be paid out free of any taxes and deductions, are to be extended to mobile working.

Social Security Aspects – Pitfall for Employees

The new *Mobile Working Act* distinguishes between "telework in the narrower sense" and "telework in the broader sense." This distinction has a significant impact on employees and their accident insurance coverage. For telework in the narrower sense, which includes the main or secondary residence of the employee, the home of close relatives, or co-working spaces rented by the employee, accident insurance coverage applies to the work performance and to the commute to these work locations. All other places are considered as telework in the broader sense and employees are only covered by accident insurance while they are actually working, but not while they are traveling to and from these places. An accident would be categorized as a "leisure accident," which, among other issues, can have significant financial impacts on the employee.

Data Protection and Security – Pitfall for Employers

Privacy regulations apply at all times for teleworking as well – employers bear the risk of privacy violations and remain liable for their employees even when they "work from anywhere." Since mobile working can also take place in public places, unless contractually excluded, special attention needs to be paid to data protection and security. Guidelines for the safe handling of data as well as technical and organizational measures that can guarantee data security at all times during teleworking should be implemented – or, if already existing, updated – as teleworkers usually do not have access to lockable rooms, unlike those who work from home.

Summary

Even if the new law meets the demand for flexibility and also reflects the situation as it actually is, there are still some legal pitfalls for employees and employers that should be prevented by an agreement wherever possible.

Greece: Violence and Harassment in Workplaces – Overview of the Legal Framework

By Betty Smyrniou, Head of Labor, and Danai Manousopoulou, Junior Associate, Bahas, Gramatidis & Partners

The topic of violence and harassment at work has become increasingly important in Greek employment law. In recent years, Greece has made significant steps by adopting legislative measures aiming at ensuring an equal and healthy working environment for all employees. However, the new framework raises certain complex legal concerns regarding the implementation of the legislation on violence and harassment by the employer. This article provides an overview of these issues within the context of Greek employment law.

Legal Framework on Violence and Harassment in Workplaces

Greek law, namely *Law 4808/2021, as specified by Decision No. 82063/22-10-2021 of the Minister of Labor and Social Affairs and Decision DIDA/F.64/946/858* of the Minister of Interior, has introduced significant provisions to combat violence and harassment in the workplace.

The law is aligned with the International Labor Organization's (ILO) *Convention No. 190* and provides comprehensive protection for employees by prohibiting all forms of violence and harassment, including physical and psychological violence, mobbing, gender-based violence, and harassment and sexual harassment.

Key Provisions of Law 4808/2021

One of the core elements of the law is the obligation placed on employers to take active measures to prevent and address incidents of harassment and violence. Namely, employers with more than 20 employees are obliged to adopt policies to prevent and combat work-related violence and harassment and establish internal procedures for receiving and processing complaints. The relevant policies must take a zero-tolerance approach and set out the rights and obligations of employees and employers in preventing and responding to relevant incidents or behavior. The policies may be part of or accompanied by a policy to promote equal opportunities and combat discrimination.

According to the provisions of *Law 4808/2021*, a person aggrieved by an incident of harassment at work has the right, apart from judicial protection and filing the complaint internally, to report the incident to the Ombudsman and request for an employment dispute procedure with the Labor Inspectorate. *Law 4808/2021* in fact establishes an independent department with the Labor Inspection Body (SEPE), which monitors the progress of complaints and prepares annual reports on complaints of violence and harassment.

Victims of work-related violence and harassment also have the right to leave the workplace for a reasonable period of time, without adverse consequences, if there is an imminent and serious danger to their life, health, or safety.

Confidentiality and Data Protection – Adopting Measures in Harassment Cases

Internal complaints of harassment or violence should be investigated with impartiality, confidentiality, and compliance with GDPR principles. Confidentiality is key when handling cases of violence and harassment at work, as it ensures that victims and witnesses feel secure when reporting or testifying on misconduct. However, ensuring confidentiality within internal complaints processes presents several challenges for employers in Greece. The law also provides that the employer is required to take the necessary appropriate and proportionate measures on a case-by-case basis against the person concerned in order to prevent and not allow the recurrence of similar incidents or behavior. Such measures may include compliance recommendations, changing their position, hours, place, or manner of work, or terminating the employment or cooperation relationship, subject to not abusing rights and disciplinary measures.

Disciplinary measures can be taken if the employer has in place a work regulation providing for a disciplinary legal framework. One of the basic provisions of the disciplinary law is the right of access of the employee to the data collected. It is argued that in cases of harassment, the confidentiality principle prevails, and the rights of the accused may be restricted.

Reverse of the Burden of Proof in Judicial Procedures

One of the most significant changes introduced by *Law 4808/2021* is the reverse of the burden of proof to the employer in cases of violence or harassment at work. If employers cannot prove that they acted responsibly in preventing harassment, they may face significant liability in terms of monetary claims and labor disputes.

Conclusion

Greek employment law has made significant progress in addressing workplace violence and harassment, with *Law 4808/2021* offering comprehensive protections for employees. However, this evolving legal landscape brings new challenges related to confidentiality, data protection under GDPR, and the reverse of the burden of proof.

By adopting best practices and procedures, offering training, and ensuring that proper policies are in place, employers in Greece will be able to address the legal complexities and create a safer, more respectful workplace for all employees.

Serbia: Non-Compete Clauses Labor Law

By Nemanja Sladakovic, Head of Labor, and Marko Jovic, Associate, Gecic Law

Non-competition (non-compete) clauses came into the spotlight this year as the US Federal Trade Commission (FTC) decided to impose a broad ban on their use. The underlying motive for this is the perception that the non-compete clauses, in the words of FTC Chair Lina Khan, keep wages low, suppress new ideas, and rob the American economy of dynamism, including from the more than 8,500 new start-ups that would be created a year once non-competes are banned. However, this rule quickly faced challenges, including a lawsuit from the US Chamber of Commerce, which argued that it was unfounded and that the FTC exceeded its authority.

Non-compete clauses have enabled companies to protect their competitive advantages by preventing the "leakage" of valuable information through (former) employees. Employees often obtain specific knowledge and skills while working for a company, and businesses frequently invest in developing these capabilities. To incentivize and justify these investments in its employees and trust that companies vest in their employees, non-compete clauses serve as contractual protection for the employer and its business interests.

The Serbian legal system also recognizes non-compete clauses under its *Labor Act*. These clauses are typically part of the employment agreement but can also be subject to an independent contract. Many factors must be considered when incorporating this clause into an employment agreement, as it can have legal implications during and after the employment relationship.

Non-compete clauses specify the activities (works) that an employee cannot perform on their own behalf or for their own account, nor on behalf and account of another legal or natural person, without their employer's consent. Additionally, non-competes can only be established if the employee gains new, important technological knowledge, access to a broad network of business partners, or access to critical information and secrets. Another essential element is the territory of application.

Non-competes can be effective during the employment period but may also extend beyond the termination of employment for a maximum of two years. If the non-compete survives the employment, the (ex) employee is entitled to compensation.

Therefore, to have an enforceable non-compete per Serbian law, it must meet the following conditions: (a) it is agreed between the employer and the employee, (b) it sets out activities that the employee cannot work without the employer's consent, (c) the employee has access to new, technological knowledge, access to a wide network of business partners, as well as access to important information and secrets, (d) it has a defined territory, and (e) it includes compensation in case of surviving non-competes.

Although the Serbian non-compete rules seem relatively straightforward, they raise many questions. For instance, can the employer broadly prohibit "any activity," or must the specific activities be carefully enlisted? Regarding territorial scope, can an employer stipulate worldwide applicability and use general terms such as "territories where the employer conducts business," or must specific countries be listed? The law does not provide clear guidelines, and case law has yet to develop clear answers.

Another issue is compensation in case of surviving non-compete. The law only refers to an "agreed amount" without setting any additional requirements or rules on the compensation. In that situation, it is not uncommon for employees in Serbia (the weaker side in negotiating employment contracts) to agree to relatively low amounts, such as EUR 100 or even less. In Serbia, the available case law is limited in this matter and there is no generally accepted approach to non-compete compensation. By looking at international practice, we observe different models.

There are jurisdictions where the law does not mandate compensation (e.g., Switzerland), and regular salary may be considered as compensation for the non-compete. However, in the Swiss case, the courts are cautious about when and how they enforce non-compete clauses.

Other jurisdictions provide more clarity. German law prescribes remuneration of 50% of an employee's salary. Overall, German law offers more detailed regulations on non-compete clauses.

Given Serbian courts' general pro-employee stance, the general principles of equality in contracts, and Serbian rules on damages, employers who wish to enforce a non-compete should consider offering reasonable compensation, such as the German (50%) or Slovenian (one-third) model. Nevertheless, the law does not prohibit offering less, and such practice and enforceability could be achieved.

Non-compete clauses are valuable in protecting an employer's interests and preventing conflicts of interest. However, it is essential to balance limiting employees' labor rights and safeguarding the employer's interests. When drafting such clauses, diligent care is needed to tailor the agreement to the specific circumstances. With proper drafting, enforcing a non-compete clause should not pose significant challenges.

Slovakia: Agreeing on and Withdrawing from Competition Clauses

By Jana Sapakova, Partner, Eversheds Sutherland

Competition clauses are found in a number of European jurisdictions. Slovak legislation on post-employment non-compete clauses is characterized by: the obligation to agree on a non-compete clause in an employment contract, the possibility to agree on it only with a certain type of employee, time limitation, and remuneration.

Competition Clauses in an Employment Contract

After the amendment of the *Labor Code* in 2022, it is possible to conclude a simple employment contract with an employee with basic details and only inform the employee of other terms and conditions of employment by means of a so-called "information letter." Within the limits of the *Labor Code*, the content of the information letter can be unilaterally changed and the employee's consent is not required for the change. Many employers make use of the possibility of combining an employment contract with an information letter. However, the competition clause must be agreed upon in the employment contract with the employee directly – it is not sufficient to include it in the information sheet.

Acquired Knowledge

A competition clause cannot be concluded with any employee – it can only be with those who, during the course of employment, have the opportunity to acquire information or knowledge that is not normally available, and the use of which could cause the employer substantial detriment.

Time Limitation and Remuneration

The maximum duration of a non-compete clause is one year from the end of employment, but it can be agreed for a shorter period of time (there is no lower limit). The employer is obliged to provide the employee with reasonable monetary compensation of at least 50% of the employee's average monthly earnings for each month of performance of the obligation. Compensation is normally payable on the employer's monthly wages payday, but the employer and the employee may agree otherwise.

Withdrawal

According to the *Labor Code*, withdrawal by the employer is only possible during the duration of the employee's employment.

There is little case law in Slovakia dealing with the competition clause or its withdrawal. However, a 2023 judgment of the County Court in Bratislava confirmed that an employer is entitled to withdraw from a non-compete clause at any time during the employment relationship, even on the last day of the employment relationship, and, importantly, without giving any reason. In the dispute, the employee challenged the invalidity of such withdrawal for failure to state a reason, for breach of good morals, and for breach of the principle of legal certainty. However, a competition clause is meant to allow an employer to protect itself against possible leaks of information to competitors. It is up to the employer whether or not to make use of this tool. Indeed, from an employee's point of view, the possibility of resigning without giving a reason, even on the last day of their employment, may seem unfair if the employee, knowing of the existence of the competition clause, has adapted their search for a new job accordingly. The court held that the possibility to withdraw from the non-compete clause during the duration of the employment relationship could not be regarded as an abuse of rights. Interestingly, the employee also argued and referred to the case law of the Supreme Court of the Czech Republic, arguing that the withdrawal from the competition clause was invalid as it did not contain a reason for withdrawal. The County Court in Bratislava notes that it is not necessary to take into account the decisions of authorities of other states. The decision of the County Court in Bratislava is in accordance with the ruling of the Constitutional Court of the Slovak Republic *No. 1/2012* where it stated that a competition clause can be withdrawn without a reason.

In contrast stands practice in the Czech Republic – e.g., a decision of the Supreme Court of the Czech Republic from 2020, in which a contract clause for withdrawal stated the employer could "*if, in its discretion, it concludes that, in view of the value of the information, knowledge of working and technological procedures acquired by the employee in the course of employment with the employer or otherwise, it would not be reasonable or expedient for the employer to enforce the agreed non-compete against the employee*." The Czech court held that the agreed clause and the subsequent withdrawal based on it were absolutely void as contrary to law.

Conclusion

Competition clauses must be agreed upon in the employment contract and meet the legal requirements. It cannot be agreed gratuitously. In the Slovak Republic, competition clauses are primarily meant to protect the employer against competitors, and the employer is entitled to withdraw from the competition clause at any time during the employment relationship without giving any reason. In practice, it is not advisable to state a reason for withdrawal even if one exists.

Croatia: TUPE Regulations in Light of Supreme Court of the Republic of Croatia's Recent Practice

By Mia Kalajdzic, Partner, and Antonio Sabljic, Attorney at Law, CMS

The *Transfer of Undertakings (Protection of Employment) Regulations* (TUPE Regulations) were incorporated in their current form into the laws of the European Union (EU) with *Directive 2001/23/EC* of March 12, 2001 (TUPE Directive), with Croatia ensuring its transposition in its legal system via the *Labor Act* (albeit with a few missed opportunities). Although TUPE Regulations are relatively simple to comprehend, with the main goal being the protection of employee rights in the event of a transfer of an undertaking, business, or part of an undertaking or business as a result of a legal transfer or merger, their application in practice raises many questions to which statutory provisions of Croatian law do not provide an answer.

For example, there is no provision answering the question of how long the new employer must uphold the rights of transferring employees after the transfer (the TUPE Directive envisages the possibility for member states to regulate this question), nor answering the question of employees' right to object to the transfer of their employment. Therefore, court practice of the ECJ, and Croatian courts especially, is essential for understanding all the fine details of TUPE Regulations and for finding the answers to these questions.

With this in mind, on May 4, 2023, the Croatian Supreme Court adopted a decision in a revision procedure regarding the transfer of employees under TUPE Regulations. A civil law revision is a court procedure in which the Supreme Court has the power to answer questions important for the development of law through judicial practice, especially when there is no court practice related to a certain question, or if the practice differs between courts. As such, it is always interesting to monitor the Supreme Court's revision decisions. In this case, the question was raised as to whether employees who are transferred to a new employer based on the fact that an undertaking or part of an undertaking in which they are employed is transferred under TUPE Regulations must consent to the transfer of their employment contract (i.e., whether the transferring employees have a right to object to the transfer of their employment to the new employer).

Interestingly, the Supreme Court made a differentiation between situations in which the transfer of an undertaking or part of an undertaking occurs in a way that (i) the original employer (i.e., the transferring employer) continues to operate after the transfer and (ii) the original employer ceases to exist.

The Supreme Court argued that in situations where the original employer ceases to operate, the transferred employees do not have a legal interest to object to the transfer and therefore cannot object to the transfer of their employment. However, if the original employer continues to operate, its employees have the right to object to the transfer of their employment contracts to the new employer, irrespective of their legal interest to object to the transfer. In other words, the employee can have a legal interest/reason to object to the transfer, but it is not a necessary condition. The court argued that employees cannot influence the decision of the transfer of the undertaking or part of the undertaking in which they are employed, since this is (in most cases) an autonomous decision of the original employer. However, employees have the right to choose their employer. Therefore, when the original employer continues to operate, its employees have the right to stay employed with the original employer. This opinion is also in line with the court practice of the ECJ. Furthermore, the Supreme Court indirectly confirmed the stance that when transferring employees object to the transfer of their employment, they lose their protection under the TUPE Regulations. This does not mean that the original employer would have the right to terminate their employment simply based on the fact that they objected to the transfer of their employment. However, if the original employer does not have a need for the work of the employees post-transfer, this could represent a valid, business-related termination reason.

The decision of the Supreme Court is logical and in line with the court practice of the ECJ. Its adoption has certainly added an additional (and much-needed) dimension toward understanding the practical implications of the transfer of employees under Croatian law. Although there are many unanswered questions still left, this is certainly a step in the right direction for the development of Croatian court practice and law.

Lithuania: Navigating Remote Work Challenges

By Jovita Valatkaite, Associate Partner, Cobalt

Over the summer, numerous major employers in Lithuania had either terminated or tightened their hybrid work policies, mandating employees to be present in the office for at least three days per week. This shift is in line with global trends, particularly among technology companies, which have largely abandoned remote work arrangements. Since the pandemic ended, many companies have gradually moved their workforce back to the office, citing decreased productivity and employee engagement as primary reasons for this shift.

A significant complication with this approach arises from the amendment to the *Lithuanian Labor Code* adopted in 2022, which grants specific categories of employees the right to request full-time remote work. These categories include pregnant or breastfeeding employees, employees raising at least one child under eight years old, employees raising a child under 14 or a disabled child under 18 as a single parent, disabled employees, those with a medical recommendation to work remotely, and employees responsible for caring for family members with illness or disability. Before this amendment, employees in these categories could request remote work for only 20% of their working hours, and the categories themselves were more limited (e.g., parents of children under three).

As a result of this legislative change, a substantial portion of the workforce now falls within these protected categories, entitling them to request full-time remote work. The *Labor Code* allows employers to refuse such requests, provided they can demonstrate that accommodating remote work would create excessive costs due to production needs or specific organizational requirements. Despite this provision, financial concerns are rarely the main issue raised by employers. Instead, they typically cite issues related to poor employee performance, weakened company culture, and low engagement as reasons for reducing remote work opportunities. Employers also highlight the challenges of providing effective leadership and mentoring when teams are dispersed. Moreover, some employees reportedly exploit the flexibility of remote work, taking extended lunch breaks or completing their work earlier than expected. Unfortunately, under the current legislation, these reasons are insufficient to mandate an employee's return to the office unless it can be proven that financial or operational harm will result.

This legal framework has led to problematic and, at times, absurd situations. For instance, when an employee commits a serious breach of job duties, losing the trust of the employer, they may still be allowed to work remotely, as the law does not allow for mandatory office attendance under such circumstances. Furthermore, the *Labor Code* lacks specific provisions regarding when employees in protected categories may be required to come into the office, even if they are working remotely full-time. For example, situations such as team training, teambuilding events, or meetings with clients or business partners are not explicitly addressed in the legislation. Consequently, employees are free to decide whether to attend such activities without the risk of facing disciplinary action. This is especially concerning given that the *EU Framework Agreement on Telework* emphasizes the voluntary nature of remote work, whereas Lithuanian legislation effectively obliges employers to allow remote work, even when it may not be a feasible or practical solution.

Faced with these challenges, employers are increasingly inclined to interpret the *Labor Code's* provisions loosely. They often argue that excessive costs would arise, even in cases where this is highly debatable (e.g., in cases of poor performance or ineffective team management). Such broad interpretations have resulted in a growing number of legal disputes, with employees challenging what they view as unreasonable demands to return to the office. This has given rise to a new category of employment disputes, centered on conflicts over remote work arrangements and demands for in-office presence. At present, the decisions handed down by Labor Dispute Commissions (pre-trial dispute resolution bodies) and courts on these issues are inconsistent, creating further uncertainty for both employers and employees.

The tension between employer-driven policies and the rights established under the *Lithuanian Labor Code* underscores the complexities of balancing productivity with employee autonomy in the evolving post-pandemic work environment. As hybrid and remote work arrangements continue to develop, the need for clearer legal guidelines becomes increasingly urgent. This will help to prevent the escalation of disputes and ensure greater stability for both employers and employees.

Without further legislative refinement or more consistent judicial decisions, the conflict between business needs and employee entitlements is likely to persist, potentially reshaping Lithuania's labor landscape for years to come.

Moldova: Employee-Created IP Objects – Determining Ownership

By Doina Doga, Head of Labor, ACI Partners

The question of who owns intellectual property (IP) rights in the workplace has gained significant relevance, especially given that employees are involved in extensive creative activity nowadays. The Moldovan legal framework has well-defined rules on this subject, providing insight into the important question: who holds the rights over the creations, inventions, industrial designs, and utility models created by employees?

While recent amendments have established clear guidelines, some ambiguities still remain, potentially leading to disputes between employers and employees. Given the value of employee-generated IP in the professional realm, defining the ownership over such IP is of utmost importance.

The New Legal Framework

Under the current framework, both patrimonial and moral rights to IP objects are vested in the employee, while the employer retains a default right to use the creation in its regular business activities. This marks a departure from the previous regime, where patrimonial rights were automatically assigned to the employer, with moral rights remaining with the employee.

The recently enacted *Moldovan Law on Copyright and Related Rights* (Copyright Law) of July 28, 2022, grants employers an automatic right to use employee-created IP objects without requiring additional consent from employees. Notably, even for works made for hire, the default rule attributes patrimonial rights to employees.

Thus, unless explicitly agreed otherwise, employees retain patrimonial rights over IP objects thereby created and can make use of such rights as they see fit. However, granting the right to use an IP object to third parties requires the employer's consent and involves special compensation to be granted by the employee to the employer. Such compensation serves as an acknowledgment and reward of the employer's contribution to the costs associated with the creation of the IP object.

Contractual Adjustments to IP Ownership

However, the above-mentioned framework can be overridden through a contractual agreement between the employee and employer, allowing flexibility in determining IP ownership.

To deviate from the default rule and assign patrimonial rights over IP objects to the employer, a special setup shall be provided in the employment agreement. Alternatively, an internal IP policy approved by the employer can establish clear guidelines on the ownership and usage of employee-created IP objects.

The contractual framework shall explicitly establish the employer's default ownership of the patrimonial rights to the IP objects created by employees. Provisions regarding the official registration of IP objects shall also be addressed in the contractual arrangement of the parties.

Thus, the novelties of the Copyright Law require companies to draft employment agreements with additional precaution.

Special Remuneration of the Employees

Another important issue to be considered is the remuneration of employees for the IP objects developed. While the Copyright Law does not provide explicit guidance, the *Government Regulation on IP objects created during employment by employees* (Regulation) dated December 31, 2003, offers comprehensive rules.

The Regulation stipulates that employees are entitled to special remuneration for IP objects in addition to their regular salary. Remuneration amount and payment terms are to be negotiated between the parties. Nonetheless, the recent legal amendments allow employment agreements to specify that such remuneration is included in the salary, relieving the employer of any further payment obligations.

Thus, it became of utmost significance to address the ownership of the patrimonial rights over the employees-generated IP objects, as well as the special remuneration thereby applicable. Employment contracts or internal policies approved by employers play a crucial role in defining such aspects.

Software Ownership

Another important amendment introduced by the Copyright Law refers to ownership of the IP rights over software developed by the employee. As opposed to the default rule of patrimonial rights over IP objects being vested with the employees, creations such as software follow a different arrangement. Under the Copyright Law, patrimonial rights over software created by one or more employees as part of their duties or following the employer's instructions are per se held by the employer.

Thus, the current legislation of the Republic of Moldova sets up straightforward rules as to the ownership of IP rights over creations developed by employees. However, these rules may be adjusted and tailored through employment contracts or internal policies to meet the specific needs of both employers and employees. Awareness of such provisions and proactive management of these rights are essential for fostering a mutually beneficial working relationship.

Slovenia: Contractual Penalties in Employment Law

By Maja Skorupan, Co-Head of Labor and Employment, Law Firm Senica & Partners

Recent rulings of the Slovenian Supreme Court on the permissibility of including contractual penalties in employment contracts highlight that when assessing the permissibility of applying the concept of a contractual penalty, one must consider the subordinate and dependent position of the employee relative to the employer both when concluding the employment contract and during the employment relationship.

A contractual penalty is a civil law concept aimed at securing obligations agreed upon by the contracting parties. The *Employment Relationships Act* (ERA-1) does not regulate contractual penalties, but it stipulates that general rules of civil law apply *mutatis mutandis* to the conclusion, validity, termination, and other aspects of employment contracts. However, in assessing the permissibility of applying civil law rules, it must be taken into account that the purpose of mandatory provisions of labor law is to mitigate the subordinate and dependent position of the employee vis-à-vis the employer. Allowing contractual penalties could, therefore, worsen the employee's position or further strengthen the employer's position.

The Supreme Court's judgment *VIII Ips 18/2023* adopted the position that a provision in an employment contract imposing a contractual penalty for breach of a notice period is null and void because, unlike liability for damages caused, it represents an excessive intrusion into the employee's rights and obligations. The existence of damage is not a prerequisite for the right to a contractual penalty to arise.

Similarly, in judgment *Ips 25/2023*, the Supreme Court ruled that a provision on a contractual penalty agreed upon between the parties if the employee fails to commence work after signing the employment contract or if the contract is terminated at the employee's will or fault before the start of work or within one month of commencing work as void. An employee enters into an employment relationship voluntarily and freely, and such a contract can be terminated by the employee at any time after its conclusion without legal consequences. This right cannot be limited by time or content conditions. The exercise of the right to terminate an employment contract must be voluntary, depending solely on the free will of the employee.

It is important to add that as early as 2017, the Supreme Court allowed the use of contractual penalties in cases of violating a non-compete clause, which applies to the period after the termination of employment. The court permitted this contractual penalty primarily because the clause deters the employee from violating competition rules after the termination of employment, i.e., when the employee is no longer employed by the employer, and the rules of labor law, including those on employee liability for damages, no longer apply. In this decision, the court also considered that following the termination of the employment relationship, the employee and employer are no longer in a subordinate/superior relationship, and the employer's position in asserting liability for damages against the former employee is more difficult, especially in terms of proving the damage and its extent.

Finally, let me point out that Slovenian labor law, generally to the benefit of the employee, recognizes the concept of contractual penalties in certain collective agreements, even without an explicit provision in the law, in cases of unlawful termination of employment determined by a final court decision. The purpose of this contractual penalty is to compensate for the general damage caused by the unlawful termination of the employment relationship. Case law is clear about the permissible option to agree on a so-called lump-sum compensation or a contractual penalty in a collective agreement if a court finds the termination of the employment relationship unlawful.

A review of case law shows that the autonomy of contractual parties in labor law is limited, as both the employee and employer must comply with the provisions of the ERA-1 and other laws, ratified and published international treaties, other regulations, collective agreements, and general acts of the employer. With an employment or collective agreement, rights more favorable to the employee than those provided by law can be agreed upon. However, the focus in this matter is not on the limitation of autonomy as it relates to those institutes already regulated by labor law, which also defines possible exceptions. The emphasis is on whether the principles and rules of labor law allow for the (appropriate) application of the rules on contractual penalties.

North Macedonia: The Role of Private Employment Agencies

By Ana Tosic Chubrinovski, Managing Partner, JPM Partners North Macedonia

Private employment agencies in North Macedonia emerged relatively recently, beginning in 2006. These agencies play a key role in two primary areas: facilitating temporary employment in the labor market and acting as intermediaries in the hiring process. By connecting employers seeking workers with job seekers, these agencies help streamline employment coordination, leading to a more efficient labor market.

The establishment of private employment agencies has had a notable positive impact on North Macedonia's labor market. Before their creation, the labor market faced years of disorder, insecurity, and uncertainty, which prevented many employees from fully exercising their rights or accessing benefits. Private employment agencies have since addressed these issues, bringing structure and security to employment practices across the country.

One of the major historical challenges in the labor market was the precarious status of individuals temporarily engaged by institutions. Although these workers performed roles similar to regularly employed staff, they often lacked formal recognition, proper compensation, and regular social contributions. This created disparities between temporary and permanent employees. The introduction of private employment agencies aimed to formalize the status of temporary employees and those engaged as consultants, ensuring they received appropriate compensation and social benefits. In effect, these agencies played a regulatory role by ensuring regular salary payments and contributions for temporary employees. Since the enactment of relevant legislation, temporary workers have been treated equally to permanent employees, which marked a significant shift from past practices where they were marginalized.

The legal framework governing private employment agencies was first established in 2006. This framework guarantees that individuals employed through these agencies receive full social contributions, recognized work experience, and access to all employee rights and benefits. Employers are legally required to treat temporary workers the same as their permanent staff, effectively equalizing the status of employees hired through agencies with those directly employed by companies.

At the international level, the *Private Employment Agencies Convention No. 181* has been instrumental in protecting employees from exploitation while promoting their rights to association, collective bargaining, and social dialogue. These international standards are mirrored in North Macedonia's legal system, which places a strong emphasis on the fair treatment and protection of employees.

The operation of private employment agencies in North Macedonia is governed by the *Law on Private Employment Agencies*. This law outlines the conditions for establishing such agencies. Both natural and legal persons can create private employment agencies as long as they meet the legal requirements, which include having at least a secondary education and being free from legal restrictions or bans on conducting business. To operate, agencies must be registered with the ministry responsible for labor matters. Additionally, the law defines the scope of activities permitted for private employment agencies, which includes providing temporary employment services and job placements both domestically and internationally. While these agencies are allowed to charge fees for their services, these fees can only be charged to employers, not to individuals seeking employment. This provision ensures that workers are not burdened with additional financial costs when searching for jobs.

In terms of regulation, private employment agencies must obtain a valid license from the relevant ministry to operate legally. Their activities, including both temporary employment services and job placements, are subject to oversight by the State Labor Inspectorate, which ensures compliance with the law. The ministry responsible for labor matters issues several types of licenses, distinguishing whether they pertain to temporary employment activities, mediation for employment within the country, mediation for employment abroad, or simultaneous mediation for employment both domestically and internationally. Each license is valid for two years, with the option for renewal. It is worth noting that the license for temporary employment has various subtypes, which are directly related to the number of temporary employment contracts concluded.

In conclusion, private employment agencies have successfully integrated into North Macedonia's labor market, playing a crucial role in connecting job seekers with employers while ensuring fair treatment for temporary workers. Some agencies have distinguished themselves through their professionalism and adherence to legal obligations, significantly contributing to a more structured and equitable employment system. Strengthening the legal framework will help safeguard the rights of workers and enhance the overall effectiveness of private employment agencies in North Macedonia.

Kosovo: Employee Rights in a Remote Work Context

By Ahmet Hasolli, Managing Partner, and Dardan Makolli, Legal Associate, Kalo & Associates Kosovo

The COVID-19 pandemic accelerated the shift toward remote work globally, including in Kosovo. While this new way of working offers flexibility and convenience, it also exposes gaps in labor regulations. Kosovo's *Labor Law*, like many others, was primarily designed for traditional in-office work environments and has yet to fully adapt to the nuances of remote work. Remote work context has brought to attention legal gaps in areas such as work hours, digital privacy, employer responsibilities, and employee rights.

Kosovo's *Labor Law* defines standard working hours as 40 hours per week, with provisions for rest breaks and overtime compensation. In a remote work context, enforcing these regulations becomes more complex. Employees working from home may find it difficult to separate their personal time from their professional duties, leading to the risk of overwork. While Kosovo's *Labor Law* requires employers to track work hours and ensure overtime pay, there is little guidance on how this should be done in a remote setting, where the boundaries between work and personal life blur. Moreover, monitoring overtime in a remote context is challenging, as it may be unclear whether an employee voluntarily chooses to work extra hours or is implicitly required to do so. This lack of clarity can lead to potential violations of the right to rest and can increase the risk of employee burnout, highlighting the need for a more specific legal framework to govern work hours in remote settings.

One of the major concerns for remote employees is the issue of digital privacy. Many employers, in an effort to ensure productivity and maintain security, use various tools to monitor their employees' activities. However, Kosovo's *Labor Law* does not currently have robust provisions addressing the privacy rights of employees working remotely. In an office setting, monitoring employee activities is typically subject to consent and legal limitations, ensuring that personal privacy is protected. In a remote work context, the line between professional and private life is thinner. Without clear legal protection, employees working from home may be subject to intrusive monitoring, such as the use of software that tracks their keyboard activity or even their webcam. A legal gap exists in the form of insufficient regulation over how much and what kind of surveillance is permissible in remote work environments, which could infringe upon the employee's right to privacy.

In traditional work settings, Kosovo's *Labor Law* mandates employers to ensure a safe and healthy work environment. However, when employees work remotely, particularly from home, the question of who is responsible for ensuring a safe work environment becomes less clear. Employers may not have the same level of control over home office setups as they do in a company workspace. There is no explicit legal obligation under Kosovo's *Labor Law* regarding an employer's responsibility for the remote work environment. For example, if an employee sustains an injury while working from home due to improper equipment or poor ergonomics, it remains unclear whether the employer is liable. A legal gap exists in defining the extent to which employers are required to provide or compensate for necessary equipment, such as ergonomic chairs or adequate internet connections, to ensure a safe and efficient home-working environment.

The so-called "right to disconnect," which refers to an employee's right to disengage from work outside agreed-upon hours, was pioneered by France's El Khomri Law in 2017. This issue is particularly crucial in remote work contexts, where the boundaries between work time and personal time often become blurred. While Kosovo's *Labor Law* provides general regulations on working hours and overtime, it does not specifically address the right to disconnect. In practice, remote employees may feel pressured to be available at all times, undermining their ability to maintain a healthy work-life balance. This highlights a legal gap respectively the need for specific legal requirements to protect employees from the burden of constant digital connectivity outside working hours.

Remote work is reshaping the traditional employment relationship, but Kosovo's *Labor Law* has not yet fully adapted to this shift. Key areas such as work hours, digital privacy, employer responsibilities, and the right to disconnect require a more specific legal framework to protect remote employees effectively. As remote work continues to grow, Kosovo must address these gaps to ensure that employees' rights are upheld in this new working environment.

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