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LEGAL MATTERS

IN-DEPTH ANALYSIS OF THE NEWS AND NEWSMAKERS THAT SHAPE
EUROPE'S EMERGING LEGAL MARKETS

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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: CONSOLIDATION IN THE CEE LEGAL MARKET: A NECESSARY TREND OR MERE FASHION?

By Pawel Zdort, Managing Partner, Rymarz Zdort Maruta



In the dynamic Central and Eastern European legal sector, the trend of law firms merging and consolidating has become increasingly prominent. This trend is driven by a quest for synergies, expanding the client base, achieving cost savings, and gaining a competitive edge in the war for talent.

When Weil Gotshal Manges decided to shutter all three of its offices in CEE, which had been growing organically for years, and we opted to become independent, I never would have believed that we would soon thereafter merge with another law firm, especially given that most examples of law firm mergers more often prove to be recipes for disaster rather than success stories. After becoming independent, we made a strategic decision to transform our firm from a transactional house into a full-service firm. After two years of organic growth, we opted to push the boundaries and take a significant leap forward by merging with a firm that was an established leader in practices in which we had not previously engaged. Was it a necessity? Building such practices from scratch was certainly possible, but given the current, quite mature state of the legal market in CEE, such an endeavor would have taken years and significantly delayed the achievement of our goals.

Law firms in CEE are increasingly pursuing growth strategies that drive them to merge – seeking to combine strengths to better compete, and ultimately to increase the relatively low fee levels across CEE (at least when compared to most Western European countries, not to mention the UK and the US). Our case illustrates a strategic pivot from a transactional house to a full-service firm, achieved not through slow, organic growth, but by way of a bold and unprecedented merger. Such moves underscore a significant trend: in the fiercely competitive legal market, building a comprehensive service portfolio from scratch is both time-consuming and risky in comparison to merging with an existing firm, which can result in the merging firms complementing one another and enhancing their overall capabilities.

This consolidation trend is not uniform across CEE. While markets like the Baltics have seen legal service firms consolidate significantly – quite soon after the fall of communism, firms like Sorainen, Cobalt, Ellex, and TGS Baltic grew con-

siderably. However, the Polish market, similarly to a number of other CEE markets, lags behind, highlighting the uneven pace of consolidation across the region. That said, even in the Baltics, the trend continues with the recent Walless and Fort merger serving as a perfect example. In parallel, regional law firms such as Wolf Theiss, Schoenherr, and Kinstellar continue to expand their operations throughout the region by opening new offices and hiring large lateral teams from local competitors.

From the perspective of a corporate M&A lawyer, mergers are an appealing path for growth. However, when viewed through the lens of a Managing Partner, the perspective shifts slightly. Growth for its own sake, without enhancing profitability, is unwise. Mergers allow firms to expand into new practice areas and regions with reduced risk and increased efficiency. This is particularly relevant given the current economic conditions, which are marked by rising costs and competitive fee arrangements, both of which disproportionately affect smaller firms unless they are able to find specific niches in which they can operate as top-choice firms for clients.

All that said, mergers are not without challenges. Integration can be complex, disruptive, and laborious. Cultural clashes and operational difficulties often arise, especially when leadership roles are dominated by Partners from one of the merging firms. Furthermore, while some firms may choose organic growth, this path presents its own set of challenges, notably in connection with recruiting and retaining talent.

Despite these challenges, the competitive nature of the legal market and the continuous need for technological advancement through substantial investments in AI and other technologies make mergers an attractive, if not necessary, strategy for law firms.

While the consolidation of the CEE legal market may have elements of trendiness, it is largely driven by the essential need of law firms to remain viable in an increasingly competitive and complex environment. The strategy of merging to mitigate risks and enhance service offerings is not just fashionable – it is a necessary adaptation to the evolving demands of the legal services industry. As the sector continues to navigate through economic and operational challenges, this trend toward consolidation is likely to persist (and may even intensify further) and shape the future of legal services in CEE. ●



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ACROSS THE WIRE: DEALS AND CASES

Date	Firms Involved	Deal/Litigation	Deal Value	Country
19-Mar	Binder Groesswang; Summereder Pichler Waechter	Binder Groesswang advised the Hannover Finanz private equity investor on its acquisition of a stake in Peak Technology as part of a EUR 10 million growth financing transaction. Summereder Pichler Waechter advised Peak and its CEO, Dieter Grebner.	EUR 10 million	Austria
19-Mar	BPV Huegel	BPV Huegel advised the investors and the management on their sale of the majority stake in EYYES to Germany-based Vector Informatik.	N/A	Austria
28-Mar	Barnert Egermann Illigasch Rechtsanwalte; DSC Doralt Seist Csoklich	DSC Doralt Seist Csoklich advised the DSR Hotel Holding on the long-term lease agreement to take over the Thurnher's Alpenhof hotel in Zuers, Arlberg, from its owner, the Zarges family office. Barnert Egermann Illigasch Rechtsanwalte advised the owner.	N/A	Austria
28-Mar	Schoenherr	Schoenherr advised Austrian green technology scale-up Neoom on the structuring and implementation of its "impact invest" customer financing scheme for decentralized energy projects as well as related project debt financing arranged by Solas Capital in an amount of up to EUR 30 million.	EUR 30 million	Austria
29-Mar	Schoenherr	Schoenherr successfully represented ImWind in obtaining a legally binding EIA permit for the Loidesthal II wind farm in Zistersdorf, Lower Austria.	N/A	Austria
02-Apr	Cuber; Schoenherr	Schoenherr advised Caverion Oesterreich on its acquisition of the refrigeration and air conditioning business of Climacraft. Cuber advised Climacraft.	N/A	Austria
02-Apr	Schoenherr; Wolf Theiss	Schoenherr advised joint lead managers Danske Bank, Erste Group, ING, Natixis, and UBS on Volksbank Wien's EUR 500 million issuance of notes. Wolf Theiss advised Volksbank Wien.	EUR 500 million	Austria
09-Apr	BPV Huegel; CMS	BPV Huegel advised Verbund on its acquisition of a Burgenland wind farm with a total nominal output of 10.15 megawatts from a private wind farm developer and operator. CMS advised the undisclosed sellers.	N/A	Austria
02-Apr	Cerha Hempel	Cerha Hempel advised the US-based Tennant Company on its acquisition of M&F Management and Financing.	N/A	Austria; Czech Republic; Hungary; Slovakia
20-Mar	CMS; PHH Rechtsanwälte	CMS advised the Greek Sfakianakis Group on its acquisition of Ajar Car Rental from the Saudi Arabian Al Jomaih Group. PHH reportedly advised the seller.	N/A	Austria; Greece
20-Mar	Gide Loyrette Nouel; Herbst Kinsky; Orrick Herrington & Sutcliffe; Schoenherr	Herbst Kinsky, working with Orrick, advised the Terreal Group and its main shareholders on the antitrust aspects of the full sale of its businesses in Poland, Hungary, and Austria to Swisspor. Schoenherr and Gide advised Swisspor Holding on the acquisition.	N/A	Austria; Hungary; Poland; Romania
21-Mar	Schoenherr	Schoenherr successfully represented Tehnoexport in trademark cancellation proceedings before the EU Intellectual Property Office.	N/A	Austria; Serbia
19-Mar	Djingov, Gouginski, Kyutchukov & Velichkov; Kennedy Van Der Laan; Spasov & Bratanov	Djingov Gouginski Kyutchukov and Velichkov, working with Kennedy Van der Laan, advised OTP Bank and DSK Bank on a EUR 30 million financing for AES Geo Energy. Spasov & Bratanov advised AES Geo.	EUR 30 million	Bulgaria
29-Mar	Wolf Theiss	Wolf Theiss, working with Clifford Chance, advised Allianz Bank Bulgaria on the review, negotiations, and regulatory compliance of a synthetic securitization agreement with the European Investment Bank Group.	EUR 291 million	Bulgaria
04-Apr	CMS	CMS advised Global Biomet on the EUR 50 million financing for the Aratiden PV project in Bulgaria granted by UniCredit Bulbank. CMS also advised on the project's two EPC contracts, with Green Solar Energy for substations and grid connection, and with Rashev & Co for the PV section.	N/A	Bulgaria
05-Apr	CMS; King & Spalding	CMS and King & Spalding have successfully represented ACF Renewable Energy Limited – a JV between ACWA Power, Blackrock, and Crescent Capital – in an ICSID case against Bulgaria for the breach of fair and equitable treatment under the Energy Charter Treaty, concerning the 61-megawatt Karadzhalovo photovoltaic plant built in 2012.	EUR 61.3 million; USD 5.7 million	Bulgaria
05-Apr	Djingov, Gouginski, Kyutchukov & Velichkov; Kinstellar	Kinstellar advised Globe Trade Center subsidiary Dorado 1 on a EUR 55 million financing from OTP Bank and DSK Bank. Djingov Gouginski Kyutchukov & Velichkov advised OTP and DSK on the deal.	EUR 55 million	Bulgaria
09-Apr	Boyanov&Co; Dentons	Boyanov & Co. advised the Eurobank group on its EUR 61 million general corporate purposes financing for Galleria Burgas EAD and Galleria Stara Zagora EAD, which own and manage the Mall Galleria Burgas and Mall Galleria Stara Zagora shopping centers in Bulgaria. Dentons reportedly advised the lenders as well.	EUR 61 million	Bulgaria
09-Apr	CMS	CMS advised electricity trader Danske Commodities on the licensing of its Bulgarian activities before the country's Energy and Water Regulatory Commission, including for the coordination of a standard and combined balancing group.	N/A	Bulgaria
09-Apr	CMS	CMS successfully represented EI Consult PV in a civil dispute initiated by EPC contractor SimInvest claiming compensation for damages before Bulgarian courts.	N/A	Bulgaria

Date	Firms Involved	Deal/Litigation	Deal Value	Country
10-Apr	Kinstellar; Wolf Theiss	Kinstellar advised the United Energy Group on its acquisition of Green Profit – the company developing the 250-megawatt Simeonovgrad-Polyanovo photovoltaic project. Wolf Theiss advised Delcho Nikolaev Pehlivanov on the sale.	N/A	Bulgaria
10-Apr	Boyakov&Co; Djingov, Gouginski, Kyutchukov & Velichkov	Boyakov & Co. advised digital transformation consultant Synechron on its full acquisition of Bulgarian developer Dreamix. Djingov Gouginski Kyutchukov & Velichkov advised Dreamix and its nine shareholders on the sale.	N/A	Bulgaria
12-Apr	Baker McKenzie; Kambourov & Partners; Latham & Watkins; White & Case	Kambourov & Partners, working with Latham & Watkins, advised Triton Partners on local aspects of the carve-out and acquisition of Siemens Energy's Trench high-voltage component business. Baker McKenzie advised Siemens Energy. White & Case advised a syndicate of banks and financial institutions on financing the acquisition.	N/A	Bulgaria
21-Mar	Kinstellar	Kinstellar advised Immofinanz on its sale of the Grand Center Zagreb office building to an undisclosed Croatian real estate firm.	N/A	Croatia
22-Mar	BDV Legal	BDV advised Gideon on its strategic cooperation agreement for new automated logistics solutions with Toyota Material Handling Europe.	N/A	Croatia
27-Mar	Bradavica Maric Wahl Cesarec; Reimer; Taylor Wessing; Vukmir & Associates; White & Case	Vukmir & Associates, working with the German offices of Taylor Wessing, Reimer Rechtsanwalte, and White & Case, advised Ludwig Pfeiffer Hoch- und Tiefbau on the hive-down of all Croatian assets to the newly established Ludwig Pfeiffer Adria and its full sale to Croatian construction companies AMM and Vodoprivreda Vinkovici. Bradavica Maric Wahl Cesarec Skerlev advised the buyers.	N/A	Croatia
29-Mar	Kinstellar (Zuric i Partneri); Vukina and Partners	Kinstellar advised S Immo on the sale of the Zagrebtower office building to the OTP Group. Vukina & Partners advised the OTP Group.	N/A	Croatia
19-Mar	Norton Rose Fulbright; PRK Partners	PRK Partners, working with Norton Rose Fulbright, advised Euro Manganese on receiving funding from Orion Resource Partners for the development and construction of a manganese mining project in the Czech Republic.	N/A	Czech Republic
19-Mar	Nedelka Kubac Advokati	Nedelka Kubac Advokati helped EPEI in obtaining merger control clearance for its acquisition of the French Casino retail group.	N/A	Czech Republic
20-Mar	Kinstellar; Kutejova, Marsal, Briasky	Kinstellar advised the Genesis Private Equity Fund IV on its acquisition of the Schulte Group from Radovan Soldat and Jan Bula. Kutejova Marsal Briasky advised the sellers.	N/A	Czech Republic
27-Mar	Fmk; Kocian Solc Balastik	Kocian Solc Balastik advised the Corinthia Group on the long-term lease for the Corinthia Prague hotel with a company from the Czech Inn Holding group. FMK Florian Michalek Kvasnicka reportedly advised the counterparty.	N/A	Czech Republic
28-Mar	Kinstellar; Moore Legal	Kinstellar advised the Genesis Private Equity Fund IV on the acquisition of a majority stake in Czech specialized metal product manufacturer GAF. Moore Legal advised Ludek Fofonka on the sale.	N/A	Czech Republic
28-Mar	Clifford Chance; Nedelka Kubac Advokati	Clifford Chance advised Ceskoslovenska Obchodni Banka and Ceska Sportitelna on the financing for Kofola Group's joint acquisition of the Pivovary CZ Group together with the RSJ investment group and the Usovsko agricultural group. Nedelka Kubac Advokati advised Kofola on the acquisition.	N/A	Czech Republic
29-Mar	Clifford Chance; GT Legal	Clifford Chance advised Ceska Sportitelna on financing the Oriens Group's full acquisition of S&K Tools through its Oriens Fund III subsidiary, Czech Machining Holding. GT Legal advised Oriens on the acquisition.	N/A	Czech Republic
02-Apr	Allen & Overy; Skils	Allen & Overy advised Macquarie Asset Management on the disposal of its 55.21% indirect interest in GasNet and GasNet Sluzby, at a total enterprise value of approximately EUR 4 billion. Skils advised CEZ on the acquisition.	N/A	Czech Republic
02-Apr	Kocian Solc Balastik; Sedlakova Legal	Kocian Solc Balastik advised the Seyfor Group on its acquisition of a 35% stake in Digitask from Filip Drimalka.	N/A	Czech Republic
09-Apr	Allen & Overy	Allen & Overy advised the shareholders including J&T Arch Investments and founder Ondrej Kania on their divestment of a majority stake in Consilium Europe to Dukes Education in a CZK 1 billion transaction.	CZK 1 billion	Czech Republic
10-Apr	AK Evan; JSK	JSK advised the Genesis Growth Equity Fund I on its sale of the Homecare Holding to the Penta Group. AK Evan reportedly advised the buyer.	N/A	Czech Republic
05-Apr	Kinstellar; Oppenheim	Oppenheim advised Carusel on the sale of a majority stake in the company to Genesis Capital, on the related agreement regulating their future business cooperation, and on the partial bank financing for the transaction. Kinstellar advised the Genesis Growth Fund I on the purchase.	N/A	Czech Republic; Hungary
29-Mar	TGS Baltic	TGS Baltic advised Estonian energy company Soldera on launching the first renewable energy certificate of origin management platform in Estonia.	N/A	Estonia
21-Mar	Lextal	Lextal, working alongside Finnish Dittmar & Indrenius, advised Dasos Capital on its sale of a forest asset portfolio to Ingka Investments.	N/A	Estonia; Latvia
05-Apr	Lambadarios Law Firm; Papapolitis & Papapolitis	Papapolitis & Papapolitis advised Intralot on its issuance of a bond loan up to EUR 100 million in total value, maturing on June 30, 2025, with arrangers Piraeus Bank and the National Bank of Greece and initial bondholders Piraeus Bank, the NBG, Optima Bank, Attica Bank, and Pancreta Bank. The Lambadarios Law Firm advised the banks.	EUR 100 million	Greece
05-Apr	Zepos & Yannopoulos	Zepos & Yannopoulos advised mandated lead arrangers and coordinators Piraeus Bank and Eurobank on the financing for the 35-year concession agreement regarding the financing, operation, maintenance, and exploitation rights of the Egnatia Odos Motorway and its three vertical road axes.	N/A	Greece
09-Apr	Bernitsas; Koutalidis	Bernitsas Law advised Dodoni on its issuance of a EUR 75 million bond loan with mandated lead arrangers Piraeus Bank and Eurobank. Koutalidis reportedly advised Piraeus Bank and Eurobank.	EUR 75 million	Greece
22-Mar	Schoenherr	Schoenherr advised Switzerland-based MET Group subsidiary Oberon Solar Park on its acquisition of 52 hectares of land in Kaba, eastern Hungary. Sole practitioner Zsolt Gaal reportedly advised an undisclosed agricultural entrepreneur on the sale.	N/A	Hungary

Date	Firms Involved	Deal/Litigation	Deal Value	Country
05-Apr	Kinstellar; Oppenheim	Kinstellar advised Nestle on its sale of Hungarian chocolate brands to Hungary's Cerbona. Oppenheim advised Cerbona on the acquisition of the Boci, Melba Kocka, and Parizsi Kocka chocolate brands from Nestle.	N/A	Hungary
05-Apr	DLA Piper; Oppenheim; Wolf Theiss	Wolf Theiss, working with Gleiss Lutz, advised Bausparkasse Schwaebisch Hall, Wuestenrot & Wuerttembergische, and Bausparkasse Wuestenrot on their sale of a 76.35% participation in Fundamenta-Lakassza to MBH Bank. DLA Piper advised MBH Bank. Oppenheim advised Fundamenta Lakassza and its board of directors.	N/A	Hungary
05-Apr	Schoenherr	Schoenherr advised Bontexgeo on the renewal of its lease agreement for an industrial facility in Tiszaujvaros with Cordys Holding Zrt. Sole practitioner Tamas Eperjesi reportedly advised the lessor.	N/A	Hungary
10-Apr	Wolf Theiss	Wolf Theiss advised Budapest Municipality-owned BKM Budapest Public Utilities Nonprofit on its acquisition of E.On Hungary's 50% stake in BDK Budapest Decorative and Public Lighting.	N/A	Hungary
29-Mar	Cobalt	Cobalt advised Latvian construction equipment rental company Storent Holdings on a new bond issuance, which raised EUR 8.7 million for notes with a 10% interest rate.	EUR 8.7 million	Latvia
11-Apr	Glimstedt; TGS Baltic	TGS Baltic advised InMedica on its acquisition of the Panevezio Odontologai clinic. Glimstedt advised the seller.	N/A	Lithuania
18-Mar	Wardynski & Partners	Wardynski & Partners advised SUSI Partners on its financing of the decarbonization services provided by ESCOlight to Ghelamco's Warsaw Unit skyscraper.	N/A	Poland
20-Mar	Lewczuk Lyszczarek i Wspolnicy; SSK&W	SSK&W, working alongside BMH Braeutigam & Partner, advised 1.Security's co-creator CISOCON on the USD 500,000 investment into the company from Sunfish Partners. LLW Lewczuk Lyszczarek Szymczyk advised Sunfish Partners on its investment.	USD 500,000	Poland
20-Mar	Clifford Chance; White & Case	White & Case advised window and door manufacturer Eko-Okna on a financing transaction with PKO Bank Polski, Bank Gospodarstwa Krajowego, Bank Pekao, ING Bank Slaski, BNP Paribas Bank Polska, Santander Bank Polska, and the EBRD for an undisclosed amount. Clifford Chance advised the banks.	N/A	Poland
20-Mar	Greenberg Traurig	Greenberg Traurig advised KI Chemistry and Ciech on the delisting of Ciech shares from the Warsaw Stock Exchange and the Frankfurter Wertpapierboerse.	N/A	Poland
20-Mar	Greenberg Traurig	Greenberg Traurig advised BNP Paribas an accelerated bookbuilding process offering of BNP Paribas Bank Polska's shares. The value of the transactions amounted to PLN 886 million, with PKO Bank Polski Oddzial-Biuro Maklerskie as sole global coordinator and joint bookrunner.	PLN 886 million	Poland
21-Mar	Hogan Lovells; Sobczynscy i Partnerzy	Hogan Lovells advised Saur Polska on its full acquisition of Ekos Poznan. Sobczynscy i Partnerzy FSG Prawo advised the sellers.	N/A	Poland
21-Mar	Tomczykowski Tomczykowska	Tomczykowski Tomczykowska advised 3Soft on the process of separating the Occubee business from the main company.	N/A	Poland
21-Mar	Balicki Czekanski Gryglewski Lewczuk	Balicki Czekanski Gryglewski Lewczuk advised Polish steel producer Cognor on a PLN 360 million and EUR 36 million financing arranged by Santander Bank Polska and Santander and guaranteed by Polish export credit agency KUKI. Deloitte Legal reportedly advised the banks.	PLN 360 million; EUR 36 million	Poland
21-Mar	JDP	JDP advised Axon Lab on its acquisition of Color Trading.	N/A	Poland
21-Mar	Gessel; Wierzbowski & Partners	Gessel advised Gaz-System on its acquisition of Storage Poland from Orlen. Wierzbowski & Partners reportedly advised Orlen.	N/A	Poland
22-Mar	BNT Attorneys	BSJP BNT advised Saab on finalizing a PLN 230 million contract for the supply of two Saab 340 airborne early warning and control aircraft and related ground equipment, logistical, and training support to the Polish Armed Forces.	PLN 230 million	Poland
22-Mar	MFW Fialek	MFW Fialek advised Develia on a joint venture with investment funds managed by Rockbridge, Derby Investments, and a group of individual investors. Solo practitioner Katarzyna Szwarc reportedly advised the investment funds.	N/A	Poland
22-Mar	JDP	JDP advised Danone Group's Nutricia on the expansion of the Nutricia production plants in Opole, valued at PLN 230 million.	PLN 230 million	Poland
22-Mar	CK Legal	CK Legal Chabasiewicz Kowalska advised JR Holding ASI on its debut on the main floor of the Warsaw Stock Exchange.	N/A	Poland
22-Mar	Allen & Overy; CK Legal	CK Legal Chabasiewicz Kowalska advised Ryvu Therapeutics on an EUR 8 million venture debt financing from the European Investment Bank. Allen & Overy advised the EIB.	EUR 8 million	Poland
22-Mar	BNT Attorneys	BSJP BNT advised the Eurowag Group on extending its liquid fuel trading license to cover a new gas station it was aiming to inaugurate in Lower Silesia, as well as on the related lease agreement.	N/A	Poland
28-Mar	Sobczynscy i Partnerzy	Sobczynscy i Partnerzy FSG Prawo advised Minde on the development of the SEA Resort project in Miedzzyzdroje, with Szczecin-based Assethome to commercialize the investment, WPIP Construction as the general contractor, and Europlan Artur Koziei to operate the facility.	N/A	Poland
28-Mar	Dentons; Konieczny Wierzbicki; Lippe Mathias; Roetzel & Andress; Schoenherr	KWKR, working with Lippe Mathias, advised Software Mind on obtaining a PLN 150 million financing from BNP Paribas Bank Polska and the subsequent acquisition of US-based company Prosoft in a transaction valued at almost USD 50 million. Dentons advised the lender. Schoenherr, working with Roetzel & Andress, reportedly advised on the loan agreement as well.	PLN 150 million	Poland
28-Mar	Latham & Watkins; Rymarz Zdort Maruta; White & Case	White & Case advised the State Treasury of the Republic of Poland – represented by its Minister of Finance – on a USD 8 billion issuance of notes registered with the US Securities and Exchange Commission under its shelf registration statement. Rymarz Zdort Maruta and Latham & Watkins advised the underwriters.	USD 8 billion	Poland
29-Mar	Wardynski & Partners	Wardynski & Partners represented the Civil Society Drug Policy Initiative on a pro bono basis in a dispute with Meta.	N/A	Poland

Date	Firms Involved	Deal/Litigation	Deal Value	Country
29-Mar	DLA Piper; DWF	DWF advised German energy company SachsenEnergie on the acquisition of three photovoltaic farms with a total installed capacity of 23.1 megawatts from Onde. DLA Piper advised Onde.	N/A	Poland
02-Apr	CK Legal	CK Legal Chabasiewicz Kowalska advised PragmaGo on its PLN 25 million issuance of series C3 bonds.	PLN 25 million	Poland
02-Apr	Szybkowski Kuzma Jelen	SKJB Szybkowski Kuzma Jelen Brzoza-Ostrowska advised the seller on the sale of two logistics parks with a gross leasable area of over 82,000 square meters located in Pruszkow and Ozarow Mazowiecki.	N/A	Poland
04-Apr	Dentons; Ellex (Valiunas); Norton Rose Fulbright; TGS Baltic	Dentons advised Ignitis Renewables subsidiary Pomerania Wind Farm on EUR 82 million in refinancing facilities from the EIB and the Nordic Investment Bank, with Skandinaviska Enskilda Banken serving as the agent, security agent, and account bank. Norton Rose Fulbright and Ellex advised the lenders. TGS Baltic reportedly advised the borrower as well.	EUR 82 million	Poland
05-Apr	DSK; WKB Wiercinski Kwiecinski Baehr	WKB Lawyers advised Selvita on its acquisition of PozLab. DSK Kancelaria reportedly advised the sellers.	N/A	Poland
05-Apr	Linklaters; Rymarz Zdort Maruta	Rymarz Zdort Maruta advised the Bank Guarantee Fund on the sale of VeloBank to US fund Cerberus Capital Management for an investment amount of more than PLN 1 billion. Linklaters advised Cerberus.	PLN 1 billion	Poland
05-Apr	White & Case	White & Case advised PKO Bank Hipoteczny on its PLN 1 billion issuance of mortgage-covered bonds – due March 22, 2028, with a WIBOR three-month+0.55% floating coupon – with joint bookrunners Erste Group and PKO Bank Polski.	PLN 1 billion	Poland
05-Apr	Gessel	Gessel advised Kredyt Inkaso on its public placement of S1 series bonds with an aggregate value approaching EUR 5 million with issue agent Michael/Strom Dom Maklerski.	N/A	Poland
05-Apr	Gessel	Gessel advised Cavatina Holding on its prospectus-free bond issuance program with a maximum value of PLN 50 million and related public issuance of M2024A series bonds with an aggregate value over PLN 21.5 million.	PLN 21.5 million	Poland
09-Apr	Dentons	Dentons advised Cero Generation – a Macquarie Asset Management portfolio company operating on a stand-alone basis – on the sale of its controlled Polish photovoltaic portfolio with a total capacity of 80 megawatts to GoldenPeaks Capital.	N/A	Poland
10-Apr	Allen & Overy; White & Case	White & Case advised joint bookrunners Citigroup, Goldman Sachs, Morgan Stanley, PKO Bank Polski, and UniCredit Bank on PKO Bank Polski's EUR 500 million issuance of senior non-preferred notes due 2028. Allen & Overy reportedly advised PKO Bank Polski.	EUR 500 million	Poland
10-Apr	CMS; Norton Rose Fulbright	Norton Rose Fulbright advised ING Bank Slaski on financing the construction of a 44-megawatt photovoltaic portfolio in Poland for Doral Energy. CMS reportedly advised Doral Energy.	N/A	Poland
10-Apr	Allen Overy Shearman Sterling; CMS	Allen & Overy advised Solida Capital on its acquisition of the Grojecka 5 office building in Warsaw from Cromwell European REIT. CMS reportedly worked on the deal as well.	N/A	Poland
10-Apr	Rymarz Zdort Maruta	Rymarz Zdort Maruta advised Emeis Polska on its sale of a one-hectare land plot in Poznan to AP Marchewka Investment.	N/A	Poland
11-Apr	Clifford Chance; CMS	Clifford Chance advised Hillwood on the financing of the construction of the Hillwood & LCube Wroclaw East warehouse park in Dobrzykowice, near Wroclaw, provided by mBank and amounting to over EUR 28.4 million. CMS reportedly advised mBank.	EUR 28.4 million	Poland
12-Apr	WKB Wiercinski Kwiecinski Baehr	WKB Lawyers advised Euroklimat on its acquisition of Instal Bud Pecyna.	N/A	Poland
20-Mar	CMS	CMS advised the Cicor Group on its full acquisition of the Evolution Medtec Romanian engineering company.	N/A	Romania
20-Mar	Biris Goran; Clifford Chance; Linklaters; Rizioiu & Poenaru	Rizioiu & Poenaru, working with Clifford Chance, advised the Affidea Group on its acquisition of cancer care provider MedEuropa Romania. Biris Goran, working with Linklaters, advised the sellers.	N/A	Romania
20-Mar	BNT Attorneys	BNT Glescu Valeanu & Partners advised Czech renewable energy producer Solar Global on its acquisition of a ready-to-build project for a 4.6-megawatt photovoltaic park in Arad County, Romania.	N/A	Romania
21-Mar	Nestor Nestor Diculescu Kingston Petersen; Popovici Nitu Stoica & Asociatii	Popovici Nitu Stoica & Asociatii advised NTT Data on its agreement with the BMW Group to set up a joint venture in Cluj-Napoca to enhance software competencies and foster digital transformation. Nestor Nestor Diculescu Kingston Petersen reportedly advised BMW.	N/A	Romania
22-Mar	Clifford Chance	Clifford Chance advised Nofar Energy on the engineering, procurement, and construction agreement and the operation and maintenance agreement with CJR Renewables for two photovoltaic projects in Romania with a capacity of 315 megawatts.	N/A	Romania
22-Mar	Stratulat Albulescu	Stratulat Albulescu advised ELI Parks on leasing 4,500 square meters of logistics and office space in ELI Park 4 to Sika.	N/A	Romania
02-Apr	Suciu Popa	Suciu Popa advised Meta Estate Trust on its acquisition of the Poiana SPV 6814 company and its real estate asset rights in Romanian winter resort Poiana Brasov.	N/A	Romania
02-Apr	CMS; Dentons	CMS advised automotive manufacturing company Ford Otosan Romania on a EUR 435 million financing from a syndicate of banks, arranged by coordinating mandated lead arrangers and bookrunners Societe Generale and BRD Groupe Societe Generale. Dentons advised BRD Groupe Societe Generale.	EUR 435 million	Romania
05-Apr	Deloitte Legal (Reff & Associates); Tuca Zbarcea & Asociatii	Tuca Zbarcea & Asociatii advised Belgian developer WDP on the full acquisition of the Expo Market Doraly wholesale, cash & carry, and retail shopping complex in Romania. Deloitte Legal Romanian affiliate Reff & Associates advised sellers ARA Europe and Gheorghe Iaciu.	N/A	Romania
05-Apr	Dentons	Dentons advised CTP on a EUR 200 million financing obtained from Alpha Bank, ING, and BRD Groupe Societe Generale for the development of a Romanian logistics park.	EUR 200 million	Romania
05-Apr	Eversheds Sutherland	Eversheds Sutherland represented Brink's Cash Solutions before the Court of Justice of the European Union in a request for a preliminary decision addressed to the court by Bucharest's Court of Appeal in a collective dismissal procedure case.	N/A	Romania

Date	Firms Involved	Deal/Litigation	Deal Value	Country
10-Apr	Stratulat Albuiescu	Stratulat Albuiescu advised the GapMinder Venture Partners Fund II on investing in Genezio in a USD 2 million round that included Underline Ventures and other angel investors.	USD 2 million	Romania
12-Apr	Stratulat Albuiescu	Stratulat Albuiescu advised the founders of Romanian automated cybersecurity solutions provider Coda Intelligence on the sale of the company to PDQ. Kirkland & Ellis reportedly advised PDQ.	N/A	Romania
21-Mar	Gecic Law	Gecic Law advised the European Bank for Reconstruction and Development and Enterprise Expansion Fund II on their investment in Vega IT.	N/A	Serbia
22-Mar	Gecic Law	Gecic Law advised JFE Shoji on a EUR 50 million greenfield investment in Serbia through the acquisition of a 10-hectare land plot in the Indjija industrial zone.	EUR 50 million	Serbia
22-Mar	Schoenherr	Moravcevic Vojnovic and partners in cooperation with Schoenherr advised Fifth Quarter Ventures on its recent investment in Cosmic.	N/A	Serbia
02-Apr	BDK Advokati; Harrison's; White & Case	BDK Advokati advised Enlight Renewable Energy and Enlight K-2 Wind on the development and financing of the 94.4-megawatt Pupin wind farm slated for construction in Kovacica, Serbia. Harrison's and, reportedly, White & Case advised lenders Erste Bank AG, Erste Bank Novi Sad, and the EBRD on their EUR 91.4 million financing.	EUR 91.4 million	Serbia
02-Apr	NKO Partners	NKO Partners advised Manuvia on its acquisition of Serbia's Interea from Romanian citizen Iosif Calamar.	N/A	Serbia
11-Apr	Cvjeticanin & Partners	Cvjeticanin & Partners advised the Modern Business School on the implementation of Serbian labor law provisions relating to collective and individual aspects within a redundancy case.	N/A	Serbia
26-Mar	Allen & Overy; BBH	Allen & Overy advised Raiffeisen Bank International and a syndicate of lenders on their EUR 100 million financing package for ITIS Holding to support the acquisition of Vitronic Machine Vision. BBH reportedly advised the borrowers.	EUR 100 million	Slovakia
21-Mar	Turunc	Turunc advised Lightspeed Venture Partners on leading a USD 64 million series B investment round into AI-powered workplace safety platform Intensey.	USD 64 million	Turkiye
21-Mar	PwC Legal (GSG Hukuk)	PwC Legal advised aquaculture specialist Agromey on its sale to Kilic Holding.	N/A	Turkiye
22-Mar	Allen & Overy; Allen & Overy (Gedik Eraksoy); Baker Mckenzie; Baker Mckenzie (Esin Attorney Partnership)	Allen & Overy and Turkish affiliate Gedik & Eraksoy have advised the joint bookrunners on Akbank's USD 600 million issuance of 9.37% perpetual fixed rate resettable additional tier 1 notes. Baker McKenzie and Turkish affiliate Esin Attorney Partnership advised Akbank.	USD 600 million	Turkiye
22-Mar	Herguner Bilgen Ucer	Herguner Bilgen Ucer advised the TaiwanCement Corporation on its indirect acquisition of an additional 20% equity interest in OYAK Cimento Fabrikalari as part of a wider low-carbon cement investment transaction.	N/A	Turkiye
22-Mar	Moroglu Arseven; Turunc	Turunc advised Bogazici Ventures on its investment in Retter.io, in a round that also included Inveo Ventures. Moroglu Arseven advised Retter on the USD 1.25 million round.	USD 1.25 million	Turkiye
05-Apr	Turunc	Turunc advised Wellbees on its bridge financing round led by Sabanci Ventures and including 212, Enocta, and angel investors.	N/A	Turkiye
05-Apr	Clifford Chance (Ciftci Attorney Partnership); Dentons (BASEAK); Unsal Avukatalik Ortakligi	Dentons' Turkish affiliate Balcioglu Selcuk Ardiyok Keki advised Ikas on its USD 20 million Series A funding round led by the IFC and the Re-Pie Asset Management Company. Clifford Chance Turkish affiliate Ciftci Attorney Partnership advised the IFC. Unsal advised Re-Pie.	USD 20 million	Turkiye
09-Apr	Tunca	Tunca advised AC Cimento on its acquisition of Tracim Cimento in Turkiye.	N/A	Turkiye
10-Apr	Aksan	The Aksan Law Firm advised Founder One on its investment in VerdantWave.	N/A	Turkiye
18-Mar	Kinstellar	Kinstellar advised The Associated Press on the production of 20 Days in Mariupol, a feature-length documentary about the brutal Russian invasion and devastation of the Ukrainian city of Mariupol in 2022.	N/A	Ukraine
26-Mar	Integrites	Integrites provided pro bono defense representation to a soldier of the Armed Forces of Ukraine concerning criminal charges brought against him by the military command. The firm also advised the soldier's family on obtaining monetary compensation.	N/A	Ukraine
05-Apr	Ashurst; Avellum; Sayenko Kharenko	Avellum advised the Ministry of Finance of Ukraine on a defense loan guaranteed by UK Export Finance that will be used to finance the purchase, modernization, and maintenance of two Sandown-class mine countermeasure vessels for the Ministry of Defence of Ukraine. Sayenko Kharenko and, reportedly, Ashurst advised UK Export Finance.	N/A	Ukraine
09-Apr	Avellum	Avellum advised the European Bank for Reconstruction and Development on a senior secured loan of up to EUR 2.5 million for the Polish campus of the Kyiv Medical University, a private higher educational establishment in Ukraine.	EUR 2.5 million	Ukraine
10-Apr	Sayenko Kharenko	Sayenko Kharenko helped CMA CGM obtain merger clearance from the Antimonopoly Committee of Ukraine for the acquisition of two Spanish port terminals – in Valencia and Bilbao – through the purchase of a 49% stake in Cosco Shipping Ports Holding.	N/A	Ukraine



Deals and Cases:

- Full information available at: www.ceelegalmatters.com
- Period Covered: March 16, 2024 - April 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



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NEW HOMES AND FRIENDS: ON THE MOVE

Romania: Adrian Sandru, George Zlati, and Dorel Herinean Team Up To Establish Lexure Legal Hub

Criminal defense lawyers Adrian Sandru, George Zlati, and Dorel Herinean have joined forces to launch the Lexure legal hub in Romania.

Lexure describes itself as a collective of lawyers who “collaborate on complex projects, offering expertise and specialized legal services in the field of criminal law,” with a “unique approach that combines the flexibility of independent practice with the advantages of a consolidated legal team.”

So far, the Lexure project includes Founders Sandru, Zlati, and Herinean, as well as Lawyers Adrian Stan, Mihai Suian, Oana Bugnar-Coldea, Daniela Georgescu, Alexandra Costache-Sandru, and Ovidiu Predescu. They offer services covering three of Romania’s historical regions: Transylvania, Banat, and Muntenia.

Before establishing Lexure, Bucharest’s Sandru set up his private practice, Sandru Avocati, in December 2023. Earlier, he spent almost four years with Act Botezatu Estrade and two and a half with Mares & Mares as a Criminal Defence Attorney, starting in 2017. He specializes in EU fund fraud and judicial cooperation in criminal matters.

Before founding Lexure, Zlati led his own Zlati.Legal: Cyber & Criminal Law practice in Cluj-Napoca for almost four years. Earlier, he spent almost nine years with Sergiu Bogdan & Associates, between 2012 and 2020. He specializes in cybercrime and blockchain technology.

Before Lexure, Herinean was a sole practitioner for almost four years, starting in 2020. Earlier, he spent almost three years with Enache Pirtea & Associates, starting in 2017. He specializes in economic crime and corporate criminal liability.

“When you have an extensive professional network, made up of specialists you know and have collaborated with for years, you have all the necessary ingredients to lay the foundations of an avant-garde project,” Zlati commented. ●

Serbia: Prica & Partners Launches Employees’ Stock Awards Department

Prica & Partners has appointed Senior Associate Jelena Edelman to lead its new Employees’ Stock Awards department within the firm, to handle foreign corporations’ employee award and saving schemes.

Edelman has been with Prica & Partners for over 17 years, joining the firm in 2006.

According to the firm, the new department provides legal assistance with “respect to most efficiently structuring the [employee award] plan, as well as leading clients through the whole complex process of implementation of the plan, with a deep understanding of all applicable laws, regulations, and procedures.” ●

Serbia: Velickovic Law Opens Doors in Serbia

Former Gecic Law Partner and Head of Dispute Resolution Jovana Velickovic launched her own law firm in Belgrade – Velickovic Law – specializing in dispute resolution, labor, and corporate law.

Before launching Velickovic Law, Velickovic spent over a year with Gecic Law and, earlier, two years as a sole practitioner. Before that, she spent almost five years with Karanovic & Partners as an Attorney at Law. Earlier still, she spent three and a half years with JPM Jankovic Popovic Mitic, between 2012 and 2016.

“I am very grateful for the collaborations that have shaped my career so far and wish to thank my colleagues and clients for their support during the transition to this exciting new chapter of my career,” Velickovic commented. ●

Turkiye: CORE Consulting and Onal Attorneys at Law Join Forces

CORE Consulting and Onal Attorneys at Law merged to form a new law firm in Türkiye: CoPartners Competition & Regulation.

CoPartners is led by Onal Attorneys at Law founder Emre Onal and CORE Consulting founder Sezin Elcin Cengiz. While Onal Attorneys at Law was established in January 2022, CEE Legal Matters reported on CORE Consulting's launch back on August 4, 2023.

According to the new firm, the merger aims to create "Türkiye's go-to firm in competition law and regulation, drawing on Sezin's and Emre's extensive experience delivering top-tier services at international law firms, all within an independent framework."

Cengiz, who has been practicing law for 23 years, has been helming her own firm since 2023. Before that, she spent 12 years with White & Case, the first ten as a Senior Advisor and the final two as a Senior Director for Competition, leading the firm's Competition practice group. Before that, she spent ten years with the Turkish Competition Authority as an Antitrust Expert and Case Handler, between 2001 and 2011.

Onal has 21 years of experience in private practice. Before establishing Onal Attorneys at Law at the start of 2022, he served as the head of Competition/Antitrust practice with Allen & Overy for eight years. Earlier, he spent a year with Arikan as a Partner and, earlier still, four and a half years with Aslan as a Senior Associate. He began his career in 2004 as an Associate with the Actecon Competition & Regulation Consultancy, where he spent three years.

In addition to Cengiz and Onal, the CoPartners team includes Partner Adnan Akgun and Associates Zeynep Ozgultekin, Umut Bakanogullari, Bahadır Bektas, Merve Demirkaya, and Ilayda Akca.

"This is an exciting new chapter for me and Emre," Cengiz commented. "Our backgrounds are remarkably similar, and this merger will enable us to leverage our collective strengths and resources to better serve our clients while achieving shared success." ●

Estonia, Latvia: Walless Incorporates Entire Fort Estonia Team and Fort Latvian Litigation Team

Walless and Fort announced their agreement to merge their Estonian operations under the Walless brand, while Walless will also strengthen its operational capacities in Latvia with the addition of the Fort Latvia litigation team.

"The merger of two experienced and ambitious teams is a significant step towards providing even better legal service to our clients," Walless Estonia Managing Partner Piret Kergandberg said.

The Fort Latvia litigation team joining the Walless Latvia operation has been and will continue to be led by Partner Sandis Bertaitis. "We are pleased to announce the expansion of our team with the addition of highly recognized dispute resolution expert Sandis Bertaitis and his team," Walless Latvia Managing Partner Kristine Gaigule-Saveja commented. "He will provide Walless' clients with a service that is truly exceptional, characterized by a deep commitment to address-

ing their needs and concerns.”

According to Wallless, “the changes regarding the Fort brand in Estonia and Latvia will not include Fort Lithuania. The firms in Estonia and Latvia will now embark on a period of active integration planning, working together toward the final closing of the transaction.”

“We welcome this merger as Wallless continuously seeks to become the top choice for both local and international clients for projects in the Baltics,” Wallless Board Chairperson and Lithuania Managing Partner Dovile Burgiene added. ●

Czech Republic, Hungary, Romania, Slovakia: Noerr’s Bratislava, Bucharest, Budapest, and Prague Offices to Transfer to Kinstellar

Noerr announced it is taking “a new direction in its business in the markets of Central and Eastern Europe,” with its Czech, Hungarian, Romanian, and Slovak offices to be transferred to Kinstellar.

“Noerr and Kinstellar have agreed to transfer these practices after the details of the integration are fully worked out,” Kinstellar reported, with the firm adding: “Several important operational and technical aspects, including investments in IT systems, leasehold premises are being worked out and the deal will complete after all necessary regulatory consents and internal approvals have been obtained.” Noerr and Kinstellar will also cooperate on a non-exclusive basis to serve their clients across these jurisdictions following the closing of the transaction.

“As part of our regular review of the firm’s positioning, we have concluded that forming a strategic partnership in the Central and Eastern European markets is the best approach for enhancing the quality of our advisory services moving forward,” Noerr Co-Managing Partner Alexander Ritvay commented, adding: “We have been pursuing a strategy of qualitative growth for many years. While this strategy is working very well in Germany, we have to recognize that the CEE markets have not developed in a comparable way.” Noerr’s release also stated that “all of Noerr’s staff will be offered the opportunity to work for Kinstellar in [the] future.”

“This is an exciting chapter in Kinstellar’s journey,” Kinstellar Senior Partner Jason Mogg commented. “We will be welcoming the Noerr teams in Budapest, Bratislava, Bucharest, and Prague and this enhances Kinstellar’s strength and capabilities

and diversifies our expertise and clientele. Kinstellar and Noerr share similar values and culture, which will make the integration very smooth. Both firms are highly regarded for their commitment, teamwork approach, strong work ethic, and their excellent service to clients. We are confident that this project will benefit the Noerr team in these cities, all our people, and, most importantly, our clients.”

“We see the deal and future cooperation with Kinstellar as very positive and a win-win for our clients, people, and firms,” Ritvay added. “It will give Noerr both the possibility to concentrate on achieving its goals in Germany and other Western markets and a reliable and committed first-class partner firm in the region.”

While the Polish office was not included in the announcements, when asked if the office there is staying with the firm, a Noerr spokesperson told CEE Legal Matters: “We are exploring other options for our Warsaw office.” ●

Romania: Madalina Ivan Business Attorneys at Law Opens Doors in Bucharest

Former CEE Attorneys Managing Associate Madalina Ivan recently announced the launch of her new law firm in Bucharest: Madalina Ivan Business Attorneys at Law.

The business-focused new law firm’s main practice areas cover corporate law, M&A, capital markets, ESG, corporate governance and compliance, labor law, fintech, crowdfunding, financial services, personal data protection, and public procurement.

With over 16 years of experience, Managing Partner Ivan “has been involved in complex M&A deals, capital markets projects, financial services projects, takeovers, and reorganizations.” Before establishing Madalina Ivan Business Attorneys at Law, she spent three and a half years with CEE Attorneys as a Managing Associate, over four years with Leroy si Asociatii as a Senior Associate, and nine years with Zamfirescu Racoti Vasile & Partners between 2007 and 2016, where she became an Associate in 2008 and a Senior Associate in 2013.

“This change comes after a careful analysis of how we can offer the best legal services and respond to clients’ needs in a personalized and flexible way,” Ivan commented. “We aim to offer integrated legal services adapted to various business models and industries, having close and direct communication with each client. Our approach is pragmatic, results-driven, and always focused on protecting our clients’ interests.” ●

PARTNER APPOINTMENTS

Date	Name	Practice(s)	Firm	Country
27-Mar	Maja Seat	Competition; Corporate/M&A; Real Estate	Miskovic & Miskovic	Croatia
21-Mar	Liis Konn	Litigation/Disputes	Ellex	Estonia
5-Apr	Christina Chini	Banking/Finance	Kyriakides Georgopoulos	Greece
5-Apr	Vasilis Douzenis	Banking/Finance; Capital Markets	Kyriakides Georgopoulos	Greece
5-Apr	Niki Orfanidou	Litigation/Disputes	Kyriakides Georgopoulos	Greece
09-Apr	Tania Patsalia	Competition	Bernitsas	Greece
12-Apr	Maria Nefeli Bernitsa	Banking/Finance; Capital Markets	Bernitsas	Greece
12-Apr	Fotodotis Malamas	Tax	Bernitsas	Greece
09-Apr	Viktoria Szilagy	Corporate/M&A	Lakatos Koves & Partners	Hungary
20-Mar	Violeta Saranciuc	Competition; Litigation/Disputes	Zamfirescu Racoti Vasile & Partners	Romania
20-Mar	Alexandru Iorgulescu	Banking/Finance; Insolvency/Restructuring	Zamfirescu Racoti Vasile & Partners	Romania
21-Mar	Ramona Birlog	Litigation/Disputes; Insolvency/Restructuring	Firon Bar-Nir	Romania
5-Apr	Ivan Bondarchuk	Energy/Natural Resources	LCF Law Group	Ukraine

PARTNER MOVES

Date	Name	Practice(s)	Moving From	Moving To	Country
21-Mar	Robert Matas	Robert Matas	Matas & Partners	BPV Braun Partners	Czech Republic
4-Apr	Annika Vait	Corporate/M&A	Alterna	Rask	Estonia
22-Mar	Viktor Jeger	Litigation/Disputes	Nagy & Trocsanyi	Lakatos Koves & Partners	Hungary
28-Mar	Miklos Klenanc	Corporate/M&A	PwC Legal	Schoenherr	Hungary
21-Mar	Mindaugas Vaiciunas	Litigation/Disputes	Vaiciunas & Vaiciunas	Ilaw Lextal	Lithuania
19-Mar	Adrian Sandru	White Collar Crime; Litigation/Disputes	Sandru Avocati	Lexure Legal Hub	Romania
19-Mar	George Zlati	White Collar Crime; Litigation/Disputes	Zlati.Legal: Cyber & Criminal Law	Lexure Legal Hub	Romania
19-Mar	Dorel Herinean	White Collar Crime; Litigation/Disputes	Private Practice	Lexure Legal Hub	Romania
5-Apr	Madalina Ivan	Corporate/M&A; Capital Markets	CEE Attorneys	Madalina Ivan Business Attorneys at Law	Romania
22-Mar	Jovana Velickovic	Litigation/Disputes	Gecic Law	Velickovic Law	Serbia
26-Mar	Kruna Savovic	TMT/IP; Litigation/Disputes	Zivkovic Samardzic	N/A	Serbia

IN-HOUSE MOVES

Date	Name	Moving From	New Company/Firm	Country
4-Apr	Nikos Salakas	Koutalidis	Alpha Bank	Greece
4-Apr	Gabija Kuncyte	Compensa Life Vienna Insurance Group	Compensa Life Vienna Insurance Group	Lithuania
10-Apr	Pawel Kulak	Nordic Investment Bank	Nordic Investment Bank	Poland
5-Apr	Andrei Nicolae	RoPower Nuclear	RoPower Nuclear	Romania
21-Mar	Ozge Sanioglu	Deutsche Bank Turkiye	Deutsche Bank Turkiye	Turkiye

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.

Montenegro Keeps Lawyers on Their Toes: A Buzz Interview with Lana Vukmirovic Mistic of JPM & Partners

By Radu Neag (March 26, 2024)



A huge new infrastructure project, a historical first USD-denominated bond issuance, and potentially transformative news on price controls and concessions make for interesting times in Montenegro, according to JPM & Partners Senior Partner Lana Vukmirovic Mistic.

“We live in very interesting times,” Vukmirovic Mistic begins, highlighting a massive infrastructure project Montenegro has embarked on: the second phase of the Bar-Boljare highway, estimated to exceed EUR 600 million. “The government announced that construction shall begin after the preliminary design (for which the tender is ongoing),” she notes, “but financing remains an issue. Their intention is to finance most of it through the budget – a tall ask – but more details will follow once negotiations open. It’s possible the constructor of the first phase, the CRPC, will return but one thing is certain: the project is on the map for banks, financiers, constructors, and consultants.”

Of equal importance and a historical first, Montenegro has recently issued USD-denominated state bonds. “The purpose of the USD 250 million bond issuance was to pay for national development projects and repay existing commitments,” Vukmirovic Mistic says, “but it also highlighted Montenegro’s effort to include new investors in the country’s financing structure. A hedging agreement for the currency swap, to protect against currency risks, was also put in place, with the only outstanding issue being a lack of transparency on the budgeting side, in terms of spending this money.”

There’s also an ongoing discussion regarding the consumer

price control mechanism, Vukmirovic Mistic reports, “with the government proposing to limit the margins for both wholesale and retail for mostly food products. That was the initial idea, at least, as there was strong opposition from the business community on account of targeting a very wide range of goods.” While the government went back to the drawing board, the initiative led to some uncertainty in the segment, she says, “with retailers hoping for something similar to the Croatian model, targeting a narrower range of basic goods.”

Similarly complicated is the government’s position on the concession agreement for the Brskovo mine, which stalled due to NGO and local community pressure, as Vukmirovic Mistic points out, “with the commission appointed to investigate having already recommended terminating the agreement. The government is now assessing the related risks, including grounds for termination and the potential for investment disputes under international arbitration.” Perhaps lower on the agenda, but of no less concern according to her, “the proposal, if not handled thoughtfully, risks undermining investor confidence and raising questions about the rule of law in Montenegro.”

Finally, Vukmirovic Mistic reports of renewed fintech optimism after Montenegro aligned with the PSD2 Directive. “We expect the National Bank to issue the first licenses for payment initiators in May – previously a significant holdback for local start-ups. This is a good signal for the regulatory environment. The new alignment will help a lot, with smaller barriers to entry, less of a gray zone for start-ups, and some of the related risks being eliminated for payment services intermediaries and platforms. The bank data should become more transparent as well, which could be used to generate more fintech project ideas,” she points out. “All this should boost investments in the start-up and IT industry – which have been doing very well – with consistent growth over the past years (at 23% in 2022), elevating them to an important pillar of our GDP.” ●

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Economic Resilience in Greece: A Buzz Interview with Ioannis Charalampopoulos of Machas & Partners

By Andrija Djonovic (March 26, 2024)



Greece is doing a solid job of showcasing its economic resilience, according to Machas & Partners Partner Ioannis Charalampopoulos, who takes a closer look at its intricacies and spotlights the banking sector's revival, booming real estate opportunities, and a promising horizon for mergers and acquisitions.

"Greece stands out for its selective growth potential amidst prevailing global economic pressures," Charalampopoulos begins. "While many countries grapple with inflation and rising interest rates, certain sectors in Greece continue to thrive. This resilience is primarily due to the strategic focus on industries with high-performance potential," he posits.

Zeroing in on specific drivers, it would appear that the Greek banking sector is of significant interest to international investors. "The banking sector in Greece is witnessing a significant turnaround," Charalampopoulos continues. "Notable transactions include the Hellenic Financial Stability Fund's formal private sale of its shareholding in Alpha Bank to Unicredit as well as the divestment from the National Bank of Greece and Piraeus Bank via private placement and public officering processes, indicating notable interest from international and strategic investors." According to him, this resurgence positions Greek banks to finance the business community effectively, leveraging the capabilities of Greece's economy.

Moreover, the real estate sector appears to be undergoing a transformative phase. "Real estate is indeed experiencing dynamic growth, driven by two main factors: the tourism sector and the strategic importance of Greece as a transport hub," Charalampopoulos outlines. "Tourism, being the crown jewel of Greece's economy, is fostering luxurious development projects, while Greece's strategic positioning as a European transport hub is attracting significant investment in logistics infrastructure, diversifying the opportunities in real estate investment portfolios," he explains. At the same time, "the landmark urban development project of Hellenikon continues to create positive externalities for the entire commercial and residential real estate market in the surrounding area, while high-net-worth individuals continue to look for high-end luxurious properties in unique locations."

Looking ahead, with the global M&A sector facing challenges, Greece might have reasons for optimism. "Despite global setbacks, the M&A landscape in Greece is poised for a vibrant 2024. The hospitality industry, in particular, is expected to be a hotbed for transactions, alongside the food industry, energy sector, telecommunications, and education," Charalampopoulos says. "Life sciences, though niche, are also seeing emerging project opportunities, while M&A transactions can be fueled by supportive acquisition financing mechanisms."

Finally, Charalampopoulos adds that the Recovery and Resilience Fund is expected to further facilitate investments in Greece. "The RRF plays a pivotal role in facilitating financings and leveraged acquisitions, offering financing at exceptionally low interest rates," he says in conclusion. "This has been a boon for the banking sector, allowing it to effectively hedge exposures and finance projects that drive Greece's economic revitalization forward." ●



Greece stands out for its selective growth potential amidst prevailing global economic pressures. While many countries grapple with inflation and rising interest rates, certain sectors in Greece continue to thrive. This resilience is primarily due to the strategic focus on industries with high-performance potential.

Poland's Property Market Is Picking Up Speed: A Buzz Interview with Bartosz Miszkurka of Solivan

By Andrija Djonovic (April 5, 2024)



Poland's property market is experiencing both pressing challenges and emerging opportunities, according to Solivan Partner Bartosz Miszkurka, from the refinancing woes of established projects to the burgeoning demand for residential and student housing and the impacts of legislative reforms.

“The most pressing issue we’re facing is the challenge of refinancing existing projects developed a few years back,” Miszkurka begins. “These properties, particularly shopping centers and office buildings, are now in a dire financial situation with the rents generated being insufficient to cover the financing provided by banks years ago.” According to him, “this has led to a two-stage response from property owners: some are successfully renegotiating loans, while others, unable to adjust the financing terms, are forced to sell their properties.”

On a more positive note, Miszkurka reports that there are “indeed bright spots in the landscape. The residential property market, especially student housing, is booming. This growth is fueled by high demand from both local and international students, with Poland hosting around 100,000 students from abroad,” he explains. The demand for “high-quality, well-located accommodation that meets European standards is strong,” he says, and major players with significant financial and resource capabilities are stepping in to meet this demand. “Another positive development is the rise of retail parks. Un-

like the past focus on developing huge shopping centers outside city limits, the trend now is towards mid-sized and smaller buildings in towns across Poland, making retail more accessible,” he adds.

Looking at it from a law-making standpoint, Miszkurka reports that Poland is “in the midst of a significant legislative reform, particularly concerning local zoning plans. A new legislative act based on the main law was introduced last September, generating a mix of anticipation and concern among market players,” he says. “There’s fear that this new regulation will complicate the process of obtaining new building permits and zoning decisions in certain areas, potentially slowing down development projects. Many believe that the government will need to amend this law or extend deadlines to avoid market disruptions, especially since local zoning acts such as stadiums are set to expire by the end of 2025, which could bring development to a halt if new acts are not adopted in time,” he explains.

Finally, looking at the entire picture, Miszkurka says that he feels the market to be at a crossroads of sorts, “facing both significant challenges and opportunities for growth. The demand for residential and rental properties will continue to drive development, particularly in student housing. It should be pointed out that, in 2023, banks and non-bank institutions lent to Poles over 25% more than in 2022. The value of mortgages granted increased the most, by as much as 45%. However, the legislative environment needs careful navigation to ensure it supports rather than hinders progress,” he opines. “The development of retail parks also presents a promising area for investment and growth; while there are hurdles to overcome, the prospects for Poland’s property market remain positive, with ample opportunity for innovative solutions and strategic investments,” he concludes. ●



The residential property market, especially student housing, is booming. This growth is fueled by high demand from both local and international students, with Poland hosting around 100,000 students from abroad.

The Digital Lands of Serbia: A Buzz Interview with Nenad Vukcevic of Vukcevic Law

By Andrija Djonovic (April 8, 2024)



Serbia's real estate sector is undergoing some foundational shifts, according to Vukcevic Law Managing Partner Nenad Vukcevic, with numerous changes to the property and construction laws, led by a shift towards mandatory electronic cadaster subscriptions heralding a new digital era for legal processes in the country.

“The most significant change is the modification of the real estate cadaster subscription system,” Vukcevic begins. “As of November 4, 2023, individuals can no longer submit their documents directly; instead, they must go through a professional lawyer registered with the authority. This move aims to professionalize the submission process, ensuring accuracy and reducing errors,” he explains. Moreover, he reports that this is a “brand-new approach for Serbia, to have everything done exclusively in electronic forms, which at the same time marks a significant shift towards digitalization in our legal processes.”

Focusing on how the change has impacted the legal professional community and the citizens at large, Vukcevic shares that “for lawyers, this has been a positive development. It has significantly increased our workload, but in a good way – it elevates our role in the real estate sector and is beneficial for our profession.” On the flip side, he reports that “it still takes time for citizens to adapt to these new requirements. They are used to directly dealing with the cadaster, so this intermediary step requires a shift in mindset and practice, which might, in turn, lead to a longer adjustment period.”

Additionally, Vukcevic reports that the fee for converting the right of use into ownership has been abolished in the Republic of Serbia. “Indeed, one of the pivotal changes is the abolition of the conversion of the right of use in favor of ownership with a fee, meaning that citizens no longer need to pay a fee to the state for converting the use of land into ownership. This change has streamlined the process for land development and construction, encouraging more investment in the sector, particularly in residential projects,” Vukcevic explains. However, despite the challenges, he reports that “the construction industry in Serbia is burgeoning, with significant capital being invested in new developments.”

Moreover, Vukcevic reports that, in recent years, “efforts have been made to improve Serbian national infrastructure, including highways, railways, residential, and commercial areas, which contributes significantly to our GDP and continues to attract foreign direct investments,” he explains. “Interestingly, despite expectations of a price drop due to these developments, real estate prices have remained stable – of course, this stability only further provides an attractive environment for investment and development.”

Finally, looking ahead and considering all of these changes and recent developments, Vukcevic shares that he feels the future will be promising. “With the government taking decisive steps to modernize and professionalize the real estate sector, we anticipate more robust growth and development across residential and commercial real estate,” he says. “These legal changes, while requiring adjustments from all parties involved, are set to enhance efficiency, transparency, and trust in the real estate market, laying a solid foundation for future growth.” ●



As of November 4, 2023, individuals can no longer submit their documents directly; instead, they must go through a professional lawyer registered with the authority. This move aims to professionalize the submission process, ensuring accuracy and reducing errors.

Romania's High-Risk High-Reward 2024: A Buzz Interview with Adrian Chirvase of Popescu & Asociatii

By Radu Neag (April 11, 2024)



The back-and-forth on the statute of limitations between Romania's Constitutional Court and the CJEU, with the country's judiciary stuck in the middle, is at the top of the agenda for Popescu & Asociatii Partner Adrian Chirvase.

“Following a July 2023 judgment from the European Court of Justice regarding the application of the statute of limitations in the EU community, in January 2024 a new ordinance was issued in the same respect,” Chirvase begins. The new CJEU document “once again analyzes the possibility for national courts of law to sidestep the application of a previous Romanian Constitutional Court decision – which effectively shortened the statute of limitations in some cases and would normally be mandatory for any Romanian court of law. The main concern here is what would happen with the files currently on the dockets of the courts,” he explains, “but there are many other related challenges and heated debates on the subject.”

So far, Chirvase continues, “the CJEU ordinance does not bring any modification in the standard set forth by the previous judgment, and there shouldn't be any change in the trials where a final decision was reached under the previous interpretation. Basically, the CC decisions ended up overturning Romania's judicial system – since we didn't have the awareness to deal with this before internally – so a national court of law asked the CJEU. The resulting decision is of interest to all the EU members.” For him, there's also a silver lining, “proof that we have smart people in the system: the wide majority of decisions issued by Romanian courts before the CJEU decision stayed the same afterward. Practice has not changed fundamentally,” he emphasizes. “With very few exceptions, the

finalized trials remained final, and the January ordinance will be no different.”

Moving on to provide some context, Chirvase notes “we're all affected because of the very complicated year that's in front of us – we have an election year – and we already see an increase in the activity and a shift in the tactics of the local prosecution bodies, such as the National Directorate for Anticorruption.” For Romania's internal judicial politics, he explains, “the NDA is a key player, handling lots of important files. Even when its files don't concern the main players on our political stage, they may involve companies or persons with close ties with the political spectrum.”

“Nowadays, the NDA does not sustain the same public communication campaign that used to be the norm between 2014 and 2020. They communicate more rarely and give out less information – which is actually a sign of normality,” Chirvase explains. “They don't need to praise themselves or their work in the early days of a case: much better than the oversharing they used to do. And it seems to be a consistent trend for the NDA leadership to discuss cases only when they reach final decisions.” And while that means less insight into the NDA's work, he believes its “activity is in full swing, and might still pick up pace.”

And other authority bodies are following suit, Chirvase reports. “The National Competition Directorate is also increasing its activity. As is the National Authority for the Protection of Consumers. We have a lot of clients that are complaining about the overreaching practices of this authority – significantly more than we used to,” he notes. “Everyone is putting that down to a difficult election year, with those authorities having to bring results to the table – maybe to meet a quota of fines, cases, and sanctions; or even needing to gather money for the national budget. So, there are, of course, questions as to the lawfulness and solid grounding of those decisions, which ultimately end to being clarified by the courts of law.” ●



We're all affected because of the very complicated year that's in front of us – we have an election year – and we already see an increase in the activity and a shift in the tactics of the local prosecution bodies, such as the National Directorate for Anticorruption.

The Season of Change in Croatia: A Buzz Interview with Martin Hren of NLaw

By Andrija Djonovic (April 16, 2024)



Impactful legal updates are on the ticket in Croatia according to NLaw Managing Partner Martin Hren, and the stage is set for changes that could significantly bolster the Adriatic country's start-up ecosystem and IT sector, with more work needed to support renewable energy projects and new technologies.

“Starting on January 1, 2024, Croatia has made a pivotal change regarding Employee Stock Ownership Plans in limited liability companies,” Hren begins. “Previously, ESOPs were not as enticing for companies and employers due to unfavorable tax schemes, which included additional taxes on top of the social contributions when employees cashed them out. Now, the tax scheme has been aligned with that of joint-stock companies, significantly reducing the tax burden on employees when they exercise their ESOPs.” According to him, this adjustment is a major leap forward in making Croatia a more start-up-friendly environment.

And, speaking of start-ups, Hren believes this legislative update to be a veritable game-changer. “Start-ups primarily aim to attract talent through ESOP schemes, and the previous tax structure was a considerable deterrent. With the new, more favorable tax treatment, start-ups can now offer ESOPs as a compelling incentive to prospective employees,” he explains. Moreover, he feels that this aligns Croatia's start-up scene more closely with global standards, “where ESOPs are a common practice to motivate and retain key employees.”

Moreover, Hren posits that this update will “foster substantial growth in the IT sector and the broader start-up ecosystem in Croatia. While 2023 was somewhat challenging for the IT sector, marked by stagnation and a slowdown reflective of the global economic context, this change in ESOP regulation, combined with ongoing engagement with venture capital funds in both Croatia and Slovenia, is expected to rejuvenate the sector,” he opines. “There's a temporary pause in VC activity, with many awaiting the funds from the Croatian Venture Capital Initiative 2. This legal update could catalyze increased activity and investment, propelling the Croatian start-up ecosystem forward,” he further explains.

Aside from the start-ups, there are other sectors poised to benefit from the forthcoming legal updates. “The energy sector, especially renewable projects, is currently experiencing delays due to the non-implementation of regulatory measures,” notes Hren. “Croatia has yet to adjust its legal framework to promote investments in wind, solar, and geothermal projects, which is in line with the EU's green transition objectives. This indicates promising prospects for legal practices focusing on energy matters in Croatia in the future,” he says. “Additionally, developments in technology law, especially regarding blockchain, crypto, and AI, signal growing legal support needs in these areas.”

Finally, having all of this in mind, Hren shares that he feels optimistic about the road ahead. “The legal landscape is adapting to support growth and innovation, and these changes, particularly around ESOPs and the energy sector, are steps in the right direction. With careful navigation and strategic investments, I believe we'll see a resurgence in activity and innovation in the years to come,” he concludes. ●



Previously, ESOPs were not as enticing for companies and employers due to unfavorable tax schemes, which included additional taxes on top of the social contributions when employees cashed them out. Now, the tax scheme has been aligned with that of joint-stock companies, significantly reducing the tax burden on employees when they exercise their ESOPs.

Albania's Renewables, Start-Ups, and Gaming Revival: A Buzz Interview with Anisa Rrumbullaku of CR Partners

By Andrija Djonovic (April 19, 2024)



In Albania, renewable energy, start-ups, and gaming all present significant market opportunities according to Partner Anisa Rrumbullaku of CR Partners in cooperation with Karanovic & Partners, with significant changes being implemented that stand to not only revitalize the economy but also create a hotbed for legal expertise.

“The renewable energy sector in Albania is continuing to experience a dynamic and active period,” Rrumbullaku begins. “There’s a consistent increase in interest from various stakeholders including investors, developers, and lenders. Major law firms in Albania are continuously involved in this sector due to the influx of projects, especially in wind and solar energy,” she says. According to her, this shift is poised to “diversify Albania’s energy portfolio, traditionally dependent on hydroelectric power, and underscores the country’s commitment to renewable energy.”

Focusing on specific novelties in the area, Rrumbullaku says “there have been notable developments, particularly for solar and wind. The Ministry of Energy recently launched a 300-megawatt solar PV auction, with the deadline for bids set for May 17, 2024. This initiative has sparked considerable interest from local and foreign investors, highlighting the opportunities available for developing successful projects,” she reports. Together with “the previous two successful solar PV auctions and one wind auction, they have signaled a robust and growing interest in Albania’s renewable capabilities.”

Shifting the focus to the evolving start-up ecosystem, Rrumbullaku says that it is gaining momentum. “This is driven by increased access to technology and a growing entrepreneurial

culture among the youth. However, challenges such as market size and brain drain have historically hindered progress. Recently, there have been positive changes including amendments to the Law on Start-ups in May 2023 and the establishment of a governmental start-up agency,” she reports. In addition, a “significant ALL 300 million grant program was just launched, creating a supportive climate for innovation – this presents many new opportunities for legal professionals to assist these emerging businesses, particularly in areas like legal structuring, fundraising, and IPR protection,” she believes.

Furthermore, Rrumbullaku shares that the “gaming industry in Albania is also seeing transformative changes. The gambling law was recently amended and implemented in early April, marking the return of permissible sports betting, but only in an online format. This law reopens the gambling market in Albania, which had been completely banned since 2018,” she shares. As she reports, “the government will award a total of ten licenses with stringent criteria; for example, applying companies or their shareholders must prove operation in at least three EU/OECD countries in the last three years and must have generated at least ALL 2 billion from the gaming industry alone in the last year.” Rrumbullaku stresses that this development seems to have attracted a lot of interest from gaming companies seeking to navigate the licensing process, “indicating a revival and potentially rapid growth in Albania’s gaming sector once the competition process for the online betting license officially kicks off.”

Finally, she highlights “these developments across renewable energy, start-ups, and gaming create numerous opportunities for legal professionals. In the renewable sector, the continuous stream of projects necessitates legal expertise in negotiations, regulatory compliance, and financing transactions,” she explains. And for start-ups, “legal needs span from establishing proper corporate structures to handling intricate granting and investment rounds. Meanwhile, in the gaming industry, impending new regulations and licensing requirements will likely demand thorough legal scrutiny and representation,” Rrumbullaku concludes. ●



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North Macedonia is Ready and Raring To Go: A Buzz Interview with Petar Serdjuk of Law Office Serdjuk

By Andrija Djonovic (April 19, 2024)



North Macedonia faces a temporary slowdown in economic activity as it gears up for presidential and parliamentary elections set for late April and early May, according to Law Office Serdjuk Managing Partner Petar Serdjuk, while the post-election period holds promise of revitalizing key sectors such as construction and infrastructure through long-awaited public procurement projects.

“North Macedonia is currently in the midst of an election process with presidential elections scheduled for April 24 and parliamentary elections in early May,” Serdjuk begins. “This has temporarily stalled many business activities as the government is restricted from using budget funds for new projects during this period. We are eagerly anticipating the post-election period as it typically brings a surge in business activities, especially in public procurements and tenders, which have seen delays over the past year,” he explains.

Focusing on specific projects expected to move ahead following the election period, Serdjuk mentions that there are several significant ones on the horizon: “Most notably, we expect advancements in major public procurement projects, particularly in infrastructure. Key areas include highway and railway projects, renewable energy initiatives like solar and wind, as well as the development of dams, and, possibly, enhancements in the public healthcare sector,” he says, adding that these projects present substantial opportunities for foreign investments and PPP.

And, speaking of investments, Serdjuk goes on to say the renewable energy sector appears to be “particularly attractive to foreign direct investments. Given the global shift towards

sustainable energy sources, our country’s initiatives to expand capacity in solar and wind energy have garnered significant attention,” he says. “This aligns with a broader interest in infrastructure, where the scale of projects often translates to larger investment and revenue opportunities for international firms.”

Additionally, Serdjuk reports that there have been interesting legislative changes concerning financial technologies. “Recently, there was significant progress with the implementation of the new Law on Payment Services and Payment systems which transposes the PSD2, which aims to enhance online payment security and market competition. This includes stronger customer authentication processes, new licensing requirements, and broader data access for fintech companies,” he reports. According to him, these changes are paving the way for “innovative financial services in North Macedonia, such as institutions for electronic money, payment initiation services providers (PISPs), and account information service providers (AISPs) previously unavailable.”

On the flip side, these changes pose certain challenges as well. “With these innovations, there is an inherently increased risk of cybercrime, which necessitates robust cybersecurity measures. Thankfully, the new law also includes stringent security protocols,” Serdjuk says. “Service providers have clear deadlines to comply with these new standards, with most needing to update their systems by October 1, 2024, and 2026 for payment institutions that provide transactions at a distance to ensure enhanced security measures are in place.”

Finally, Serdjuk reports that the legal field in the country is changing. “We’re seeing a decrease in the number of students pursuing law, caused by an overproduction of attorneys in the past, which has led to heightened competition and increased demand,” he reports. “Law firms are actively headhunting qualified candidates from competitors, which is a trend that we expect to continue as the market adjusts to these new dynamics.” ●

Czech Republic Between Shortage and Shortfall: A Buzz Interview with Milena Hoffmanova of Baker McKenzie

By Radu Neag (April 29, 2024)



Emphasizing the urgency of healthcare reforms in the Czech Republic – given acute supply issues and the need to address systemic challenges effectively – Baker McKenzie Partner Milena Hoffmanova underscores the importance of collaborative efforts between stakeholders to ensure sustainable and equitable healthcare delivery in the country.

“The pharma industry in the Czech Republic is currently implementing one of the biggest changes in the regulation on the distribution of pharmaceuticals in recent years,” Hoffmanova begins. “An amendment entered into effect at the beginning of this year, with the rest to come into play later, bringing legislative changes meant to impact the availability of medicinal products in the country. Due to the Czech Republic’s pricing policies and import-export dynamics, we’ve faced numerous challenges posed by shortages of medicines – a problem and a topic for both the public, pharmacies and pharma businesses, and authorities.”

Hoffmanova explains that the key amendments introduced in January aim to address shortages and improve availability, and include extended supply obligations for marketing authorization holders and stockpiling requirements for distributors. She elaborates: “The amendment brings several new obligations for marketing authorization holders as well as distributors. It mandates that marketing authorization holders must supply medicinal products for an additional one to two months, even after the reported date of interruption or termination of supplies. Additionally, upon the decision of the Ministry of Health, distributors might be required to maintain stockpiles of medicines to ensure availability, a task made difficult by the

existing shortages.”

Hoffmanova highlights the complexities of implementing these changes, particularly in cases of production shortages and “the ambiguous obligations regarding non-discrimination against pharmacies.” Despite efforts to enhance availability, she acknowledges the ongoing challenges and the limited leverage the Ministry of Health has in addressing systemic issues, and emphasizes the need for a balanced approach to pricing and supply chain management to mitigate shortages effectively.

For context, Hoffmanova also points out that similar issues are being faced by neighboring countries in Central and Eastern Europe, such as Hungary and Poland, which have implemented comparable legislation. On the whole, she says “the region’s collective response to pharmaceutical supply chain issues is characterized by stricter regulations and increased penalties.”

Shifting focus to the impact on local transactions and healthcare networks, Hoffmanova points to the influence of global pharmaceutical deals on local markets. She highlights “the continued success of pharmacy chains and growth of healthcare provider networks in the Czech Republic, driven by private investments.” However, she underscores that “the shortage of healthcare professionals in critical areas, like psychiatry, is posing challenges to that continued service expansion.”

Regarding patient care, Hoffmanova acknowledges the system’s overall effectiveness but raises concerns about its long-term stability and the affordability of new, expensive treatments. “If treatments that can cost millions of Czech crowns are covered and become more frequent, the system will face a shortfall. So, we’ll either have to allocate significantly more public funds to healthcare, introduce coverage limitations, or require patients to participate more significantly in the costs of their healthcare. However, she notes there is “political reluctance to increase the financial burden on patients, due to past failures and public resistance.” ●



The pharma industry in the Czech Republic is currently implementing one of the biggest changes in the regulation on the distribution of pharmaceuticals in recent years.

Austria's Historic Insolvency: A Buzz Interview with Bettina Knoetzl of Knoetzl

By Radu Neag (April 30, 2024)



Austria's real estate business currently faces multifaceted challenges following the unexpected rise of interest rates and inflation in 2022, according to Knoetzl Partner Bettina Knoetzl, with "the SIGNA Holdings insolvency sending shockwaves throughout the industry and the country."

"This is neither the first, nor the last bankruptcy prospect in Austria's real estate sector, but it likely is the biggest," Knoetzl begins. She explains that the SIGNA group has been "a major real estate player, based in Austria, and led by real estate tycoon Rene Benko." It is not only known for its successful and stunning developments in Vienna, like the Golden Quarter (Goldenes Quartier), according to her, "but also across Austria's borders. Some prominent examples include, in Germany, the SIGNA group-owned 'Galeria' retail chain with more than 70 outlets and, in the US, the acquisition of the famous Chrysler Building."

For the legal industry, the current economic environment means an unusually high demand for lawyers in restructuring, insolvency, and crisis management. Moreover, Knoetzl notes, "commercial litigation, asset recovery, and white-collar-crime practitioners got a big boost from real estate businesses in distress. And for the disposition of assets by insolvency administrators, deal lawyers are in demand." Legislative reforms are under consideration, she says, "to protect creditors from the past mistakes that have burned them recently, in the context of SIGNA's collapse." Still, she warns latecomers: "It's become challenging to find experienced insolvency trustees and law firms in Austria who are still free to act without conflicts."

Only last November, SIGNA Holding had to file for restruc-

turing proceedings, hoping that a cascade of bankruptcies among its subsidiary companies could be avoided, Knoetzl reports. "However, recently, the court-appointed insolvency trustee had to file for bankruptcy, and so had Rene Benko and other group companies. The unfortunate turn of events leaves creditors poised to lose significant sums and other business partners facing enormous losses, potentially reaching billions, spelling further trouble," she believes. "Several ongoing developments, like the landmark construction on Vienna's famous shopping street, Mariahilfer Strasse, risk being abandoned indefinitely, casting shadows over Austria's urban landscape and economy. On the positive end, this is a unique chance for acquisitive investors with deep pockets."

Knoetzl explains that this crisis has widespread consequences, well beyond Austria, and highlights the profound impact of the SIGNA Group's collapse on the real estate industry, attributing it to a combination of factors such as "high interest rates and geopolitical tensions – including the war in Ukraine that led to an energy crisis in many European countries – and rapid inflation, increasing both financing and building costs, rather unexpectedly." Beyond that, she reports "serious criminal misconduct, through players' artificial inflation of values in the underlying assets, is coming under prosecutorial scrutiny. The Austrian prosecution authority and its SIGNA task force have their hands full," she says. "This collapse delineates the peak of the existing economic turmoil in Austria and is the country's largest insolvency in post-WWII history", summarizes Knoetzl, who expects more bankruptcies in the real estate sector to follow.

In Knoetzl's view, the recent developments also underscore the need for more transparency and accountability within corporate groups. She indicates that "policymakers are addressing transparency issues through legislative measures, aiming to ensure that companies provide detailed financial statements or face appropriate penalties for non-compliance – eye-watering for large corporate entities like the SIGNA Group." ●



This collapse delineates the peak of the existing economic turmoil in Austria and is the country's largest insolvency in post-WWII history.

THE DEBRIEF: MAY, 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.

This House – Reached an Accord

“Over the last month, we saw rapid developments in the renewable energy sector in Bulgaria,” CMS Sofia Managing Partner Kostadin Sirleshtov points out. “The long-awaited publication of the ordinance for connection of producers to the grid was completed and this streamlines the investment into wind and battery storage projects in the country.”

Ments Associate Simon Hora also highlights the recent update in the Slovak Commercial Code, originally derived “from *Directive (EU) 2017/1132 relating to certain aspects of company law*,” that “regulates financial assistance by a company for the acquisition of its shares by a third party.” Hora notes that, historically, “financial assistance was prohibited not only for public joint stock companies but also for private joint stock companies in Slovakia.” According to the wording of the provision, “financial assistance has been made available to joint stock companies, subject to the fulfillment of certain conditions.” Hora adds that “the provision of the Slovak Commercial Code now allows joint stock companies to provide financial assistance directly or indirectly if it is allowed by the company’s articles of association. At the same time, the following conditions must be met: financial assistance must be provided on fair market terms, the board of directors must verify the financial status of the recipient of the financial assistance, the provision of financial assistance must not reduce the company’s equity below a specific value, and the company must create a special reserve fund in the amount equal to the financial assistance provided.” Hora concludes that the “changes in the Commercial Code have the potential to improve the Slovak M&A environment as they are beneficial for M&A activity in times when external bank financing is getting expensive and provide for more flexibility in structuring the transaction.”

Drakopoulos Senior Associate Eirini Galanou highlights that in Greece, *Law 5099* was published in the Government Gazette on April 5, 2024. It introduced, *inter alia*, “the development of a new platform by the General Secretariat for Information Systems & Digital Governance.” The new platform, according to her, “will operate under the name ‘Know Your Business – eGov-KYB’ and will be used for the authentication of the data of legal entities in accordance with the requirements set by the

relevant provisions of the law on the measures of enhanced and ordinary due diligence.” In particular, Galanou points out that “Article 37 of the law provides that any natural person acting as the legal representative of a legal entity may request the extraction of certain data necessary for the authentication of the legal entity, as well as the transmission of such data to credit and financial institutions.” According to Galanou, the data extracted from the information systems of public sector bodies will include, among others, “information on the legal entity’s business activity, corporate name, distinctive title, legal form, registration number in the General Commercial Registry, tax identification number and other tax and financial data,” as well as “personal details of the legal representative, shareholders/partners, and members of the management bodies of the legal entity, including the percentage of the shareholders/partners’ participation in the entity.” Galanou reports that “joint ministerial decisions are expected to be adopted, which will further specify the above issues and requirements, as well as the launch date of the platform.”

This House – Under Review

Sirleshtov reports that Bulgarian parliament members “are discussing changes to the environmental legislation to allow for shorter environmental assessment for new energy projects and less time for potential judicial appeals.”

In the Works

JPM & Partners Senior Partner Jelena Gazivoda draws attention to the recent energy developments in Serbia. “The highlight of March 2024 was the signing of a series of contracts pertaining to the financing of the ‘Pupin’ Wind Farm Construction,” Gazivoda says. “This forthcoming wind farm, slated for development within the Municipality of Kovacica in south-western Banat, will feature 16 wind turbines collectively generating 94.4 megawatts of power. Anticipated to cater to the annual energy demands of approximately 40,000 households, the project boasts a total investment of EUR 100 million.”

“The contract suite includes agreements for electricity purchase and balance responsibility between Enlight Renewable



Anca Diaconu,
Partner and Head of Competition;
Nestor Nestor Diculescu Kingston Petersen



Eirini Galanou,
Senior Associate,
Drakopoulos



Jelena Gazivoda,
Senior Partner,
JPM & Partners



Kostadin Sirleshtov,
Managing Partner,
CMS Bulgaria



Simon Hora,
Associate,
Ments

Energy and Elektroprivreda Srbija, spanning 15 years,” Gazivoda continues. “Additionally, a facility agreement has been established between the EBRD, Erste Bank, and Enlight Renewable Energy.”

The conclusion of these contracts, according to Gazivoda, “solidifies the financial and commercial framework for this project, poised to advance the objectives of the energy transition by generating green megawatts at competitive prices. This achievement precedes the forthcoming launch of new auctions envisaged for the second quarter of 2024, aligning with the Ministry of Mining and Energy of the Republic of Serbia’s three-year plan to integrate 1,300 new megawatts of capacity into the premium system.”

Sirleshtov additionally points to the recent energy projects in Bulgaria. “The tenders for battery storage grants under the *Resilience and Recovery Plan of Bulgaria* were also launched,” he says. “With the deadline set on June 12, renewable energy producers are eligible to receive up to 50% grants for their battery storage facilities.” At the same time, Sirleshtov notes that “OMV Petrom became the only title holder for the Han Asparuh offshore block in the Bulgarian Black Sea thus giving hope that following the Final Investment Decision for Neptune block in Romania, the company will drill another well in Bulgaria in 2024/2025.”

Regulators Weigh In

Nestor Nestor Diculescu Kingston Petersen Partner and Head of Competition Anca Diaconu reports that in April 2024, “the Romanian Competition Council launched a public consultation process concerning the commitments proposed by the Romanian Poultry Producers’ Association and several companies, as part of the investigation on the poultry meat market.” According to Diaconu, the investigation concerns “an alleged exchange of sensitive information between meat producers/traders and an association they participate in (during meetings of said association) – which allegedly aimed to limit deliveries of poultry meat.” In brief, Diaconu notes that “the proposed commitments concern, in particular, the implementation of a black-box mechanism – ensuring that the association only accesses and disseminates aggregate and anonymized information received from companies.” The association, according to her, “also undertakes, *inter alia*, to amend its statute and to disseminate newsletters to third parties and publish them on its own website.”

On top of that, Diaconu highlights that “the investigated companies proposed the implementation of internal procedures for both internal and external information flows and competition law compliance programs. Notably, two investigated companies are no longer active in the relevant market, nor are members of the association. Should these companies decide to resume activities on the relevant market and/or to become members of the association during the monitoring period (36 months following implementation), they undertake to observe the corresponding commitments.”

In Related News

Finally, Sirleshtov highlights a recent appointment in the Bulgarian government: “With the formation of the new caretaker government and General elections happening on June 9, 2024, the former CEO of the natural gas TSO Bulgartransgaz, Mr. Vladimir Malinov, was appointed as the new Minister of Energy, thus giving hope for completion of the pending gas infrastructure projects like the Bulgarian section of the Vertical Gas Corridor.” ●

BUILDING WITH BLOCKCHAIN IN CEE: A CEE LEGAL MATTERS ROUND TABLE

By Andrija Djonovic

On March 26, 2024, TMT/IP, fintech, and emerging technology experts from Hungary, Romania, and Turkiye sat down for a virtual round table moderated by CEE Legal Matters Managing Editor Radu Neag to discuss how blockchain-related technologies, businesses, and legislation are shaping up in their jurisdictions.

CEELM: To what extent has blockchain been a topic of discussion in your country, what were the first instances when it became active, and how did it evolve over time?

Dejan: The rise of Bitcoin definitely fueled blockchain's popularity. While the technology itself isn't new, blockchain's visibility grew alongside the increasing value of cryptocurrency. From an investment perspective, it offered returns on multiple fronts. Here in Romania, [initial coin offerings] have become a major trend, with numerous crypto projects seeking to capitalize on it. This exposure pushed both the public and private sectors to become more familiar with blockchain.

By 2017-2018, crypto assets were a constant topic of conversation. Interestingly, the Romanian government even leveraged blockchain technology for increased security and transparency in the 2020 parliamentary elections.

Horvath: In Hungary, discussions around blockchain primarily involve collaborations between the government, industry players, and academia. These joint efforts are pretty standard here and, around 2018, we saw the formation of dedicated blockchain organizations.

Today, blockchain is a regular topic in both business circles and government agendas. A new blockchain law was introduced in March, though it's yet to be finalized and implemented. Just last week, a series of events coincided with the Budapest Blockchain Week. While banks and financial institutions are heavily involved in blockchain projects, a growing number of blockchain-related start-ups are also emerging.

Tansel: Similar to Hungary, Turkiye is anticipating a new law specific to crypto assets. We expect secondary regulations to follow within the next six months as of the enactment of the new law. With this evolving legal framework in place, discussions are turning towards the custody of crypto assets. It's worth noting that Turkiye's new cryptocurrency regulations are expected to attract new investments from various sectors. These include real estate tokenization, project financing through diverse channels, and new financial instruments such as ETFs and ETNs based on the spot price of Bitcoin. Central

Bank Digital Currencies (CBDCs) are another hot topic; the Turkish Central Bank has already issued a report on them, and they're anticipated to gain significant traction alongside stablecoins.

Importantly, with blockchain as the underlying technology, there are already specialists offering enterprise solutions built on blockchain. Once the regulatory framework is solidified, Turkiye is well-positioned to become a significant player in this space. This year holds particular significance for this reason. By aligning Turkish regulations with the *MiCA*, developments in the UK Parliament, and Dubai's regulatory landscape, Turkiye aspires to become a key player in the EMEA region.

CEELM: How are the client profiles, the matters they need assistance for, and the overall landscape looking right now?

Horvath: Due to the *MiCA* EU regulations, our work is primarily focused on regulatory and licensing work. We help companies navigate the licensing processes to ensure they comply with the *MiCA* – that's the essential first step for any new operation in this space. Banks and financial institutions are also major clients seeking clarity on the regulations surrounding blockchain and crypto assets. Interestingly, even big banks have begun selling crypto assets as part of their crypto portfolios. We also work with wallet operators who provide services for storing crypto assets, as well as exchanges that facilitate swaps and conversions between crypto and fiat currencies.

NFTs remain quite popular, particularly within the digital art and creative space, and we have artist clients seeking legal advice in this area. Real estate tokenization is another frequent inquiry, but Hungarian law presents some challenges in this area. However, we find creative solutions to address such challenges.

Tansel: Start-ups are our primary client base. We also work with public companies holding commissions in various private sectors, particularly for matters related to real estate tokenization and project financing. Right now, there's a sense of waiting as everyone anticipates the implementation of new crypto regulations in Turkiye. We expect these regulations to be ac-



Caghan Tansel,
Partner,
Tansel Turkiye

accompanied by secondary legislation within the next six months. With a clear legal framework in place, we anticipate significant investor interest, from the energy sector, for example, especially green energy projects. We're also liaising with banks, regulatory bodies, and clients seeking legal clarifications and comparisons, particularly in the context of the *MiCA*.

Green energy holds particular promise for project financing, especially for renewable energy sources like wind and solar power, which can benefit from tokenization efforts. Tokenization, through the use of smart contracts, can also generate ongoing revenue streams that are tied to the operational lifespan of a facility. Additionally, it can facilitate ownership and distribution structures.

Dejan: Romania's well-established IT sector has fueled the growth of innovative blockchain start-ups offering technical infrastructure solutions. We've seen a flourishing of local and international crypto exchanges, NFT marketplaces, gaming platforms that utilize cryptocurrencies, and even payment services that allow for automatic conversion between crypto and fiat currencies when used on the platform. Tokenization was a major trend for a while, with everyone eager to tokenize everything they could, with real estate being a particularly popular target.

However, Romanian law hasn't been able to adapt as quickly as the technology has evolved, leading to discussions with other regulatory environments in an effort to attract investors to these tokenization projects. Our specialization in blockchain allows us to provide comprehensive legal services in this area, regardless of the jurisdiction. It's important to note that EU regulations can be quite rigid, especially when it comes to updating established legal areas like real estate. Dubai offers a unique advantage in this regard – its open dialogue with regulators facilitates the creation of regulatory sandboxes. This allows companies to operate in Romania using Dubai's legal structures, similar to how English law has historically been used for a wide range of international investments.

CEELM: What are the most promising use cases for blockchain technology across various sectors

in your jurisdiction?

Horvath: A quick scan of leading blockchain start-up lists reveals a vibrant Hungarian ecosystem. Hungarian companies are leveraging blockchain for diverse purposes, from agricultural product tracking solutions to decentralized finance, metaverses, and even the gaming and gambling industries. One example is a complete ecosystem for storing and tracking game events, assets, and even virtual art tours within games. Loyalty programs and crypto advisory services, like OneBit, are additional areas where Hungarian companies are finding success with blockchain.

A particularly promising area is a smart contract platform designed for broad applicability across various event types. Furthermore, blockchain document management offers a powerful tool for companies seeking paperless workflows, streamlining processes, and impacting the work of lawyers.

Dejan: The retail industry, particularly in supply chain management, presents a clear and valuable application for blockchain technology. For Romania specifically, decentralized finance holds significant potential, especially in lending protocols. Additionally, a fascinating new project aims to leverage blockchain to demonstrate the provenance and authenticity of fashion goods. The future may even hold a land registry system built upon blockchain technology.

Tansel: Despite a lack of specific regulations yet, Turkiye boasts a flourishing landscape of blockchain projects. Payment systems, digital wallets, and custody applications are at the forefront of this movement. The real estate and gaming industries are also actively exploring blockchain solutions. Importantly, business-to-business applications are emerging, encompassing document management and even tender processes. Furthermore, official and governmental bodies, including the Central Bank with its Central Bank Digital Currency efforts, are demonstrating a growing interest in implementing blockchain technology. ●

The above is an excerpt. The full version can be found on [ceelegalmatters.com](https://www.ceelegalmatters.com)



Katalin Horvath,
Partner,
CMS Hungary



Luca Dejan,
Partner,
VD Law Romania

DISSECTING CEE DISPUTES

By Andrija Djonovic

ACI Partners Managing Partner Igor Odobescu, Nagy es Trocsanyi Founding Partner Peter Nagy, Kinstellar Partner Radovan Grbovic, Law Office Vujacic Partner Sasa Vujacic, and Tuca Zbarcea & Asociatii Partner Robert Rosu discuss recent litigation trends across CEE, driven by the impact of economic shifts and regulatory changes in their jurisdictions.

Steady Increase

“In the Serbian jurisdiction, there has been a slight uptick in litigation, which we interpret as a short-term increase,” states Grbovic, shedding light on the immediate effects of economic challenges. He elaborates that the increase is primarily due to “recent economic uncertainties, making it more challenging for market participants to meet their obligations.” During such times, he notes, “contract breaches become more frequent, leading to a rise in litigation.”

Parallel trends are observable in Hungary, where Nagy comments on the fiscal conservatism prompted by the economy. “Government and companies alike will have to do the best they can with last few years’ meager economy.” This austere environment, he suggests, cultivates “a penny saved is a penny earned” attitude that significantly heightens litigious behavior, particularly in “tax and construction disputes.”

Rosu’s observations on Romania align, with the Tuca Zbarcea Partner noting a steady increase in litigation related to public administration. “At least based on our activity levels which have grown steadily over the last 12 months,” he adds, pointing out the uptick in disputes over “public procurement and administrative litigation,” especially concerning tax litigation and building permits.

However, Grbovic proposes that the current rise might not continue. “While there was a slight increase in litigation, it is likely that a contrasting trend could develop over the long term. Economic uncertainties may lead to fewer transactions among businesses and individuals. This decrease in economic activity naturally results in fewer disputes and, consequently, less litigation,” he says.

And in Moldova, Odobescu argues that “the number of litigations will remain constant in the following years, with no considerable changes.” This expectation is underscored by a new legal framework that adjusts court fees, which he believes will “raise the litigation costs to initiate proceedings on pecuniary claims, where significant amounts are involved.” However, alongside a decrease in commercial litigations, he does anticipate a slight increase in administrative ones.

“During the last three years, we have observed an increase in administrative litigations, where private entities challenge administrative acts issued by public authorities,” Odobescu explains. This shift is partly due to more stringent regulations and the public’s greater willingness to challenge administrative decisions.

In contrast, Serbia sees a diverse litigation range. “The uptick in litigation primarily manifests in contract disputes and securities, sectors notably sensitive to economic shifts,” says Grbovic. Moreover, he highlights an “increase in the construction sector, as there have been substantial investments in infrastructure projects within the past few years, as well as an increase in the number of construction-related companies and entrepreneurs in Serbia.”

Montenegro’s Vujacic echoes this complexity. “Commercial disputes are one area where litigation has significantly increased, especially when it comes to contracts, debt collection, and company transactions. Furthermore, as Montenegro updates its legal system to meet EU requirements, there is an increasing focus on intellectual property rights protection,” he says. Vujacic also mentions the labor law disputes inflamed by recent legislative changes, marking a significant rise in cases filed by employees over compensation claims.

Catalysts for Increased Litigation

The increase in litigation across these countries is multifaceted. Grbovic identifies economic downturns as a primary catalyst, with “a decline in income, deterioration of debt-paying ability, layoffs, and restructuring” leading the charge in Serbia. This is compounded by the sectoral spikes in construction disputes due to “more litigation, especially among clients, contractors, and subcontractors, primarily over contract disagreements and project delays.”

Nagy highlights the proactive fiscal policies in Hungary as a litigious trigger. “Year after year, the government eagerly goes after maximizing its revenues, and new taxes and tax collection methods pop up,” which stirs significant resistance from affected parties. Looking at construction specifically, Nagy says that “the complexity of the construction business and

its sometimes confusing documentation makes it an easy target for money-saving practices.”

Odobescu points to the EU accession and regulatory reforms in Moldova as additional drivers. “As an official candidate for EU membership, Moldova is committed to aligning its legal framework with the EU legislation.” This alignment often leads to litigation, especially as “the new rules imply significant penalties for non-compliance, and not all businesses will manage to adapt to the new legal framework,” he predicts.

In Romania, Rosu elaborates on the public procurement disputes driven by the extensive infrastructure projects. For example, the country has undertaken to develop a motorway network and other construction projects with European and national funds. “Many procurement procedures are being contested by the bidders,” leading to a growing number of legal disputes. Moreover, “another factor driving the uptick in litigations is linked to the difficulties of some companies in paying their current debts, which seems to be a consequence of the broader economic environment that had worsened after the COVID-19 pandemic and the Ukraine war,” he adds.

Courts (Try To) Adapt

As the number of cases climbs, courts across CEE are adapting their operational strategies. Nagy points out that, in Hungary, the “courts are having less appetite for details and are rather trying to cut corners when possible,” a pragmatic shift that, while streamlining processes, challenges litigants to present more concise and robust arguments. He goes on to add that an attempt to “organize administrative courts has failed” and that the “court procedure in administrative cases has been re-codified, making litigants’ lives sometimes miserable. New judges appear in administrative departments of courts who are somewhat slow in adapt-

ing.”

Grbovic laments the slow pace of digitalization in Serbian courts, which hampers their capacity to handle the increased caseload efficiently. “The courts are struggling to adapt to an increased number of litigation cases, especially in delivering timely decisions and scheduling trials.”

On the other hand, Odobescu highlights the successes in Moldova, where an integrated file management program “covers all the court procedural activities including registration, distribution, and file transfer. The distribution of cases is according to certain criteria, such as the nature of the case (civil cases, administrative, insolvency, etc.) and the complexity of a case,” he explains. “We believe that this allows for an equitable distribution of the workload among judges. Moreover, the Moldovan judiciary system is currently undergoing a reorganizational reform, purposed to merge the courts of appeal and increase the number of judges in the courts of first instance to face the increasing number of cases,” he reports.

“The most important measures were to delay scheduling the first court hearings after the filing of the court disputes and to increase the number of judges,” Rosu chimes in for Romania. He believes that the “upward trend in the number of disputes” is a consequence of “a reduced number of judges compared to the workload of the courts.”

Similarly, Vujacic reports that, in Montenegro, the courts are not at full capacity due to an insufficient number of judges. “This problem affects the capacity and effectiveness of Montenegro’s courts,” he says. “To improve the courts’ efficiency, the Ministry of Justice and the Judicial Council proposed amendments to the current *Law on Judges and the Judicial Council*,” which could “quickly fill the sufficient number of judges,” he concludes. ●



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THE CORNER OFFICE: ESSENTIAL CHECKLIST FOR PARTNER DEPARTURES

In **The Corner Office**, we ask Managing Partners at law firms across Central and Eastern Europe about their backgrounds, strategies, and responsibilities. As partner departures are inherent to the workings of any law firm, and likely demand clear strategies for navigating, this time around we asked: **What are the three most important items on your checklist when a Partner leaves your firm?**

Kostadin Sirlishtov, Managing Partner, CMS Sofia: CMS Sofia very seldom sees partners leave. Some of them just relocate to other locations but remain with the firm.

When a partner leaves to join another law firm or to go in-house, we need to make sure that: (a) there is a proper exit interview – we need to ensure that there is sufficient feedback collected for such departures to never happen in the future; (b) there is no capability gap – we prefer having seniors from within the existing team stepping up and being promoted as partners, but if this is not an option – we start considering lateral hires; (c) clients are briefed accordingly – we are here for the clients and therefore we need to make sure that clients are not affected and there is no gap in our service delivery.

Milos Mitic, Managing Partner, JPM & Partners: Partner leaving the firm is always stressful and raises several questions to be discussed internally. Fortunately, in all my 30+ years of experience, I had just a few situations of that kind, and all of them were sorted out professionally.

However, on those rare occasions that such a thing happens the single most important item on our checklist is to try to find out what are the reason/s for such a career move. It's up to us to make sure that work-life balance is in place and that everyday workload and accompanying burdens and tensions are not affecting the overall quality of one's life. Whatever the response is it helps us immensely to adjust and better prepare for some future occasion.

Ilir Daci, Managing Partner, Optima Legal & Financial: The departure of a Partner is a shock wave that resonates in every corner of a law firm, whatever its size. While it disrupts the practice for at least a few days, months, and sometimes years depending on the firm's size and flexibility, it signals the presence of erosive factors that if left unchecked and untreated can become paralyzing to the practice for a very long time.

The first and most important item is to understand as deeply as possible the root cause of departure. The traditional structure of the classic law firm places the Partner at the helm of the firm-client trust relationship. Whether departure is linked to internal disagreements, work discontent, toxic environment, competitive interests, or other imminent factors, the departing Partner has the best reasons, while the firm is susceptible to and usual upcoming reputational risks and brain drain.

The second important item is to take adequate measures to smoothen the transition so that client business is affected the least possible. While keeping the firm afloat is necessary, keeping the client well-served is imperative.

The third important item is to learn the lesson and take precautionary measures to level up motivation and enhance effective communication within the team and with the public.

Timur Bondaryev, Managing Partner, Arzinger: A lot depends on the reasons the partner is leaving the firm: good/bad leave, performance/health issues, etc. In any case, it's very important to ensure that the leave is not too damaging for the firm and therefore, in my opinion, there are the following main points to be looked at (a) all financial issues, such as profit distribution, should be properly and correctly solved/settled and both parties are fine with the end-of-the-game financial settlement; (b) it's important to ensure proper corporate memory i.e., handover of the clients/matters/practice for the firm and the clients do not "feel" the transition and the practice is run more or less in the same way as before. So, there should be a very clear succession plan, which is very thoroughly elaborated and discussed to ensure, that all works well. The succession plan should, by the way, also have a proper communication plan, to ensure, that there is full transparency and clarity as regards the situation, successors, reasons for departure, etc. Both, internal and external stakeholders should receive a very clear and aligned picture of the situation; (c) it's always good



to remain on good terms with the leaving partner as long as it's possible – at the end of the day, the ex-partner will be if not always, at least for some time associated with the firm and can be a good or bad ambassador of the firm's brand. Further, post-exit cooperation is not excluded and therefore it's good to keep the proper relationship in case the services/support of the leaving partner will be required.

Pal Jalsovszky, Managing Partner, Jalsovszky: It did happen to us, unfortunately, so I can share my views based on past experience. First, it is essential to communicate to our colleagues that nothing extraordinary happened. Changes occur at each organization, this is the normal course of life. A special focus needs to be put on those colleagues who worked directly with the partner as they are potential targets for solicitation. The next step is to call each key client whom the partner worked with. Again, these clients may be on the target list of the departing partner. Showing the continuity of the seamless service that the client is accustomed to is crucial. The most tiring part of the job is to re-manage the work of the group led by the partner. You should find a new leader of the group – luckily from internal sources. Tasks and authorities will need to be redelegated, and processes potentially reviewed.

Christoph Mager, Country Managing Partner, DLA Piper Austria: In my view, the top three issues to consider when a partner of a law firm exits are as follows: (a) transition plan: agreement should be reached with a departing partner as quickly as possible as to whether or which clients will continue to be advised by him or her. Ultimately, this is a decision to be made by the client; however, coordination in advance facilitates informing and preparing clients. In any case, a coordinated approach makes sense and underlines the professional appearance of the law firm; (b) diligent handover: it should be determined who will continue to manage existing cases internally so that a timely handover is guaranteed. This ensures that no information is lost and the continuation of the mandate proceeds without disruption. This documentation relates not only to the direct legal advice but also to the agreement of commercial terms (e.g., hourly rates). Whenever a partner is leaving, the firm is left with outstanding claims and it is important to agree on how to deal with it; and (c) team update: the departure of a partner is also relevant for individual team members as it may affect team structure, individual business plans, and training paths, therefore an ongoing continuation of team development should be carefully planned.

In summary, a partner exit is always a challenge. However, the points mentioned above make it possible to implement key issues efficiently for the benefit of both the clients and the internal organization. ●

THE INSIDE TRACK: TEAM CRITICAL SKILL

In The Inside Track, General Counsels across CEE share the nuances of their roles, challenges, and strategies for success. In the dynamic landscape of modern businesses, where adaptability and innovation are paramount, this time around we asked GCs: What is the one critical skill that you're investing time and energy in to develop within your team, and why?





Nada Matusikova, Co-Head of Legal, RWS Group:

It's quite hard to name just one skill that I consider as critical. But I would probably choose *thoroughness*. How to build this skill? Don't make assumptions, verify the data inputs. Normal people have the tendency to get tired after reading one page of legal text. But we lawyers know that the devil is in the details and the most unfavorable provisions will be probably in the middle of the small print. Don't look for the shortcuts. We need to be sure there is logic in the entire legal document or in a transaction. All angles must be explored, all options elaborated, and all views considered. Be thorough and you are invincible.



Eva Kovacic, General Counsel, Belupo:

With over 25 years of experience working for a law firm and in a corporate law department, I value and invest very much in successful habits within my team.

In the team's responsiveness to clients, I think they as corporate in-house counsels must provide value at every opportunity. There are no wasted meetings or calls. They always contribute, question, provoke thinking, share, or advise on alternative approaches, after they diagnose a mutual way forward with a client, to achieve the target.

Therefore, I'd highlight the "how can I help you to get to 'yes' (your deal, contract, other)" approach. In their responsiveness to clients, I encourage curiosity, courage, and confidence.

In their responsiveness within the team, I encourage respect and thinking less as a lawyer and more as a musketeer with the "one for all and all for one" approach. My energy is focused on mentoring as a two-way process where all the team members grow and gain creative thinking skills and inclusion. The linear or exponential development of each team member as a leader is a reward to every mentor.



Daniel Szeszler, Group Legal Director, Magyar Telekom:

The single most important skill that we at Magyar Telekom Legal are focusing on is *AI literacy*. In the past several years, we significantly developed the Legal team's digital capabilities. Now we seek to enable and empower ourselves to make real use of AI-based tools that we all have at our fingertips already; and to get prepared for a possible imminent breakthrough when AI tools may become game changers in our everyday work. We are running courses and workshops to familiarize ourselves with key concepts such as LLM and Generative AI; to better understand the basic mechanisms underlying AI; and to explore the applications and tools that are becoming increasingly useful and can in fact make a real difference in our work and private lives. This journey also helps in boosting another core ability that we all need more than ever: adaptivity.



Mate Lapis, Head of Legal, Cherrisk:

In our organization, one of our core values is the "can-do attitude." Building upon this ethos, we have identified two critical skills for investment within our team: *communication proficiency coupled with adaptive capability*. Over the past years, we've sharpened our negotiation skills while still holding onto our role as gatekeepers of legality, however, we have augmented this traditional function by equipping our legal team with the skills to become enablers of innovation.

Our approach revolves around focusing on solutions, rather than simply sticking to legal boundaries. We actively seek ways to support our internal or external client's goals within those boundaries. This requires clear communication with our partners about their needs and the ability to adapt seamlessly or persuade others to adapt their needs and ideas.

This emphasis on communication and adaptability not only promotes an innovative culture but also strengthens our position as a hub for innovation. By empowering our team with these skills, we enable them to navigate challenges and find solutions they might not have thought possible before. As we continue to evolve, our commitment to nurturing these critical skills remains, driving us forward to the ethos of proactive problem-solving. ●

CHARGING AHEAD: ELECTRICITY STORAGE REGULATION IN CEE

By Teona Gelashvili

CMS Croatia Partner Marija Musec and CMS Poland Partner Lukasz Szatkowski discuss electricity storage regulatory developments and the unique challenges faced by stakeholders in the CEE energy market.



CEELM: To start with the basics, how would you define electricity storage?

Szatkowski: When we speak about electricity storage, we typically make reference to large-scale facilities integrated into the grid system aimed at stabilizing national or regional grids. They play a critical role in supporting the development of renewable energy resources (RES) and facilitating the transition to sustainable energy markets.

Musec: Essentially, energy storage serves as a key tool for storing electricity generated during times of surplus and releasing it during times of high demand. This ensures access to energy precisely when it's most needed, particularly during peak periods or in areas where energy availability is limited.

In terms of legal aspects, energy storage is considered a regulated activity, much like energy trade or production. It is regulated and monitored by the state authorities.

CEELM: Are there any instances within the CEE region where the industry isn't regulated?

Musec: Most jurisdictions I'm familiar with have regulations governing it, although with some exceptions. There are two main types of exceptions from licensing: either for very small-scale operations that don't require a license or for operations that serve public purposes such as grid stabilization.

Szatkowski: I agree – in Poland and neighboring countries, large-scale projects are regulated similarly, with strict regulations governing the storage of these assets and revenue schemes in place. Smaller projects, on the other hand, follow a more liberalized licensing approach, often resulting in significantly smaller endeavors.

CEELM: When we talk about the regulatory framework, is it generally at the national or EU level?

Szatkowski: When it comes to typical licensing activities, we can discuss batteries as a case study. We engage in a legal market, navigating through project development, which involves a series of transactions and joint development agreements, particularly in more established markets where local teams play a crucial role. This process is regulated by local legislation, determining the necessary permits. Additionally, there's an operational aspect overseen by regulators and the evolving nature of the CEE markets adds another layer of complexity, especially regarding capacity markets within the EU. This development is heavily influenced by local regulations on a market-by-market basis. Ultimately, the regulatory landscape resembles that of general regulations, particularly in markets where I operate. Battery storage aligns closely with renewable energy generation, with revenue streams contingent upon market strategies.

Musec: In my experience, we often encounter local specificities, especially in zoning and spatial planning, which are crucial initial steps for investors to navigate, considering local peculiarities. Additionally, factors such as grid connectivity and environmental studies are important. However, during the operational phase, there tends to be a more standardized model, although this can vary depending on the maturity of the market.

CEELM: How would you characterize the regulatory development in recent years?

Musec: The regulatory framework has been established in nearly all Balkan countries for several years, but what needs to come next is the actual implementation of projects. It is fairly well-developed but still needs to be put into practice, tested,



Lukasz Szatkowski, Partner, CMS Poland



Marija Musec, Partner, CMS Croatia

and validated by projects. Regrettably, in many CEE markets, battery storage is still in the development phase, so operational projects have yet to emerge. Nevertheless, there is significant interest from developers.

Szatkowski: In general, developers tend to move faster than the regulatory framework. They began in Poland, the Czech Republic, Romania, and Ukraine before any regulatory framework was established, even before the onset of the war. Subsequently, legislation caught up, as was the case in our region. Often, there were pathways to clarify certain aspects for successful battery project development. Poland experienced waves of technological focus, particularly among local developers with limited horizons, driven by diverse development strategies and grid capacity constraints. Some renewable assets couldn't connect to the grid, prompting a shift to storage with grid access. Some projects were co-located, offering flexibility, but due to increasing interest in standalone projects, the recent focus has been primarily on storage projects.

From a legal perspective, the complexity isn't significantly different, sometimes even easier than certain generation facilities. However, the technical aspects of the projects can be challenging. We encountered one of the initial projects in Poland where an investor with extensive overseas projects assessed opportunities in Poland. They found that substantial technical adjustments were necessary, along with challenges in agreeing on pricing. Consequently, many international investors opted for greenfield projects. Looking back two years, we now witness these developers achieving success, benefiting from their

portfolio with grid connections.

CEELM: What do you see as the biggest regulatory challenges currently in the deployment of energy storage solutions in the CEE countries?

Musec: I believe that private enterprise will continue to seek out its own paths forward. We observe the efforts of private entities and anticipate responses from institutions.

Szatkowski: In my view, there's been a generally positive shift in terms of regulators in recent years – particularly when compared to 15 years ago, when they were often seen as slow to react. Now, regulators appear more dynamic, showing an inclination to listen to the market. While they may not move as swiftly as investors, such rapidity isn't necessarily expected from them.

CEELM: As lawyers, what specific topics are you currently monitoring closely, and what would be one item on your wish list?

Szatkowski: My wish list for this region of Europe is simple: stable regulations that remain consistent regardless of changes in government. Additionally, our market has proven to be incredibly resourceful – even without strict regulations, it finds ways to adapt. However, the real challenge arises when regulatory adjustments are necessary due to changes in the framework.

Musec: I would highlight two areas. First, transparency in government plans and their adherence is indeed important. It's essential to improve transparency and adherence to government plans, especially regarding the grid. Providing clearer, more transparent, and reliable information will enable developers to anticipate future developments and make informed decisions accordingly.

Second, cost reduction for grid connection is also crucial. The high cost of grid connection is a major bottleneck that needs to be addressed. By minimizing these costs, we can remove significant barriers to entry and encourage more widespread adoption of renewable energy sources. Maintaining a stable framework in this area is crucial for continued progress.

Szatkowski: I'd add that in the battery storage business, ESG is crucial. However, there's a lot of equipment sourced from markets lacking proper supply chain supervision, despite the need for it. The issue isn't just about regulations; it's also about what banks will accept in the end. Investors are uncertain about how to handle this, as there's no clear idea of where to source some of the equipment from. ●

MARKET SPOTLIGHT: CZECH REPUBLIC

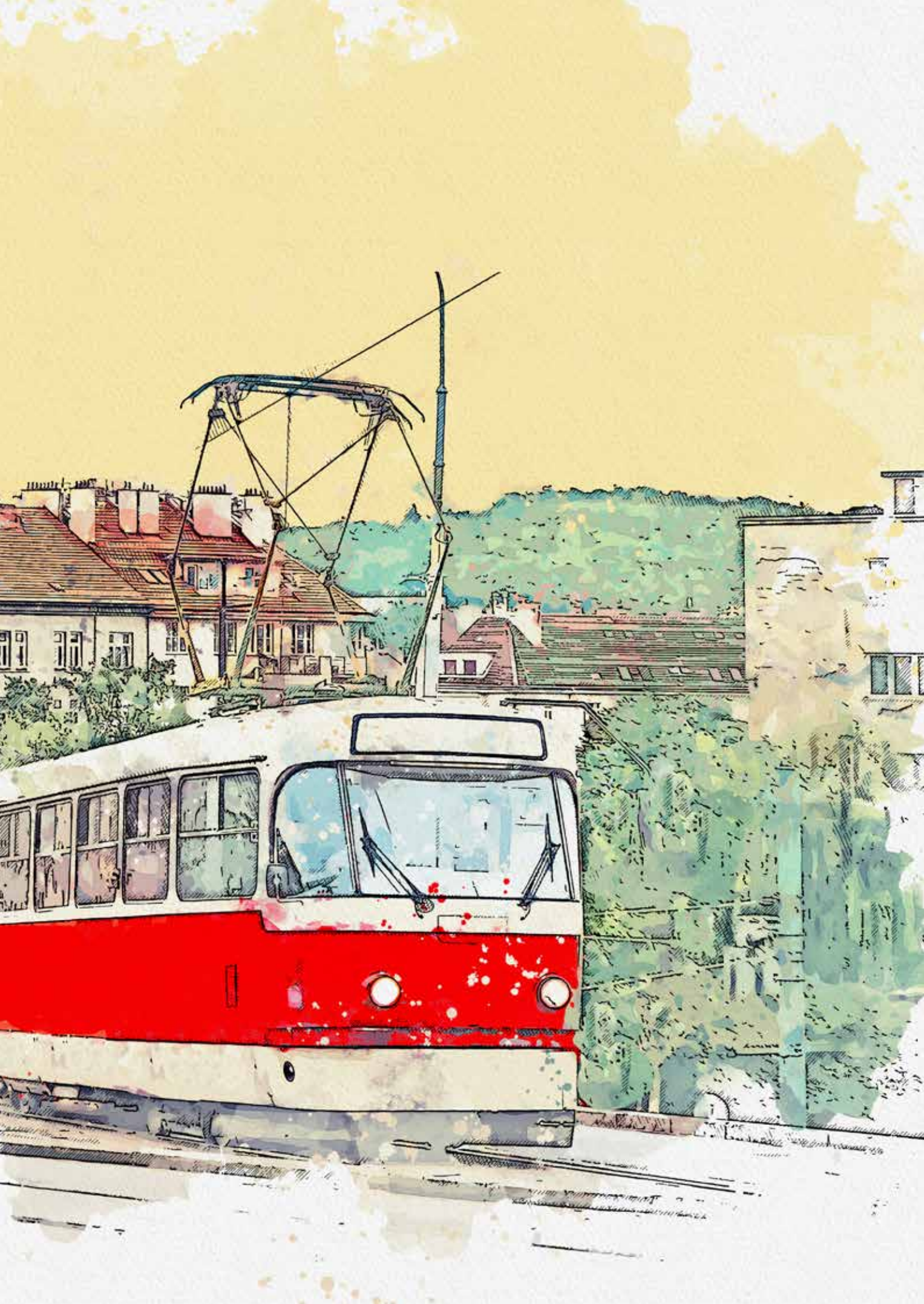
ACTIVITY OVERVIEW: CZECH REPUBLIC

The Firms with the most Deals covered by CEE Legal Matters in the Czech Republic, between January 1, 2023, and April 15, 2024:

1.	Clifford Chance	33
2.	Kocian Solc Balastik	28
3.	Kinstellar	21
4.	White & Case	17
5.	Havel & Partners	16

The Partners with the most Deals covered by CEE Legal Matters in the Czech Republic, between January 1, 2023, and April 15, 2024:

1.	Milos Felgr	22
2.	Tomas Dolezil	11
3.	Jan Juroska	10
4.	Vlastimil Pihera	9
5.	Emil Holub	8



PRAGUE-MATIC INTERNATIONAL LAW FIRMS

By Andrija Djonovic

Since the early 1990s, following the fall of the Iron Curtain, international law firms have established and expanded their presence in the Czech Republic, creating a dynamic legal market alongside burgeoning local firms. Deloitte Legal Czech Republic Managing Partner Martin Bohuslav and CMS Prague and Bratislava Partner Helen Rodwell explore the strategic entries, exits, and endurance of these firms amidst evolving market conditions and economic challenges in the region.

Checking In and Checking Out

“International law firms have maintained a significant presence in the Czech Republic since the early 1990s following the fall of the Iron Curtain in 1989,” Bohuslav says. “Major Western firms established branches in Prague, quickly developing them into full-fledged offices serving both private clients and the Czech government. Concurrently, a boom in the Czech legal sector saw the rise of domestic law firms, marking over three decades of coexistence and competition between international and local players.”

Resonating this, Rodwell adds that, “in the early 1990s, the CEE region witnessed a surge of big international law firms eyeing capitalism as a lucrative opportunity.” However, “the landscape has shifted since then,” she says, with many international players retreating, favoring local partners for deal work. “Take Linklaters, for example, adopting a ‘break-away firm’ strategy with Kinstellar in 2008 after exiting the Czech Republic,” Rodwell says.

Rodwell adds that these are not standalone cases. “Freshfields Bruckhaus Deringer, Dewey & LeBoeuf, and Hogan & Hartson departed earlier due to fee pressures and fierce competition,” she notes. Moreover, Rodwell says that “Hogan Lovells and Norton Rose Fulbright followed suit in 2014, citing market challenges. Despite exits, the Czech Republic retains firms like us, Allen & Overy, and Clifford Chance, alongside DLA Piper, Dentons, and White & Case. The legal market in the country employs 11,498 individuals, with businesses expanding their workforce, indicating resilience amid economic headwinds.”

Indeed, Bohuslav agrees, adding that domestic firms have strengthened their position in the past 15 years, “attracting leading partners from departing international firms and adopting corporate cultures formed by their global experience.”

Noerr’s exit, according to him, is the latest development of this kind.

Compared to other CEE countries, the presence of international law firms in the Czech Republic is still relatively robust, according to Bohuslav. “While countries like Poland and Hungary may have larger legal markets due to their population size and economic strength, the Czech Republic offers stability, a favorable business environment, and a strategic geographical location, attracting international firms. In contrast, some CEE countries may face challenges such as political instability, regulatory uncertainties, or smaller markets, leading international firms to prioritize the Czech Republic over other locations in the region,” he posits.

Rodwell agrees, assessing that while “Poland has the highest number of competitors/international law firms of the CEE jurisdictions,” in comparison to neighboring CEE countries, “the presence of international law firms in the Czech Republic remains robust. While certain firms have withdrawn over the years, the country still hosts a diverse array of global players.” Rodwell feels that this stable presence “underscores the Czech Republic’s attractiveness as a legal market within the region, despite fluctuations observed elsewhere.”

The Stickiness Factor

Continuing, Bohuslav shares that he feels one of the principal reasons for this attractiveness is the country’s “well-established industrial base, thriving technology sector, and (not-so-great but still good) foreign investment inflows.” Furthermore, the economic stability makes it “an attractive destination for multinational corporations, which in turn sustains demand for legal services.” Additionally, he feels that considerations such as “regulatory environment, and connectivity to global markets also influence firms’ decisions to stay or leave.”



Helen Rodwell,
Partner,
CMS



Martin Bohuslav,
Managing Partner,
Deloitte Legal

Moreover, Bohuslav says that “the size of the Czech market, while smaller compared to some other countries in the region like Poland in terms of population and GDP, still offers lucrative opportunities for international law firms.” Consequently, the legal market “reflects a dynamic interplay between international and domestic firms, characterized by competition, collaboration, and evolving client preferences. While international firms bring global expertise and resources, Czech firms and lawyers offer local insight and personalized service, ensuring a diverse and competitive landscape benefiting clients and legal professionals alike,” he says, contrasting the two.

“Despite the recent economic contraction, the legal services industry has shown resilience with a modest annual growth of 1.5% between 2019-2024, reflecting a steady demand for legal expertise,” Rodwell chimes in. “Incentives for international law firms to stay in the Czech Republic may stem from the post-pandemic landscape, where logistical demands and labor requirements have surged. The country’s strategic and central location for logistic centers, coupled with abundant and affordable labor, presents opportunities for deal-making and expansion,” she explains. Moreover, she feels that the country’s established legal infrastructure may incentivize international firms to “maintain their presence despite market fluctuations.”

“The strategies of law firms vary, influencing decisions on whether firms will remain represented directly, through international networks, or cooperating law firms,” Bohuslav says.

“Some firms prefer a centralized approach and function as branches of global entities, while others opt for a slightly decentralized collaboration that allows a degree of autonomy to individual branches. Or an independent cooperating law firm could be an option as well,” he explains.

“The implications for multinational law firms maintaining offices in the Czech Republic are twofold,” Rodwell notes. “On one hand, the thriving legal market in neighboring Poland poses a competitive challenge, potentially shifting the focus toward establishing hubs in Poland over other CEE countries,” she says. “This could lead to consolidation and a re-evaluation of office locations. However, the positive post-pandemic economic outlook in the Czech Republic presents opportunities, especially with the expansion of logistics, construction, digital industry investment, and tourism. Multinational firms need to weigh these factors carefully, balancing the competitive landscape with the growth potential and strategic advantages offered by maintaining a presence in the Czech Republic,” she explains.

Much More to Come

Taking aim at the road ahead, Bohuslav shares that “large clients require the resources of large law firms to address complex legal needs. Currently, clients highly prioritize services related to the transformation of their businesses in a changing world. This includes support and stabilization of business in relation to the state, such as tax and financial administration, audits, and disputes.” Moreover, he reports that “development and restructuring of businesses, including acquisitions, sales, real estate, and corporate portfolio structure, as well as private services such as succession planning, are in high demand.”

Having all of this in mind, Bohuslav believes that a reality emerges in which the Czech Republic continues to represent an “attractive environment for the international law firms to stay connected to the Czech market, or the CEE market as such. However, the form of presence depends on the law firm’s strategy.”

For Rodwell, based on the country’s market outlook, “several trends emerge that are likely to impact the legal sector: the construction industry is expected to rebound, significant funds are being allocated to support the digital transition in the Czech Republic, the tourism industry is growing, and we expect an expansion of EV charging infrastructure.” She feels that lawyers specializing in construction, technology, tourism, and energy law are “likely to see heightened activity as they advise clients on regulatory compliance, contracts, transactions, and dispute resolution in these evolving sectors.” ●



INSIDE INSIGHT: RICHARD BACEK OF SIEMENS

By Teona Gelashvili

Siemens General Counsel for the Czech Republic and Slovakia Richard Bacek talks about his transition from law firms to in-house and ongoing challenges including navigating new legislation, such as cybersecurity regulations.

CEELM: Tell us about your career path leading to your current role as general counsel for the Czech Republic and Slovakia at Siemens.

Bacek: I've been with Siemens for 15 years, joining in 2009. Previously, I spent 15 years as an attorney at various law firms, focusing on corporate M&A, public procurement, and competition law. Now, as the General Counsel, I manage legal matters for Siemens in the Czech Republic and Slovakia.

CEELM: What were the biggest adjustments in transitioning from a law firm to the private sector?

Bacek: The biggest challenge involved understanding Siemens' business operations in greater detail than needed by a law firm, where external clients were the primary focus. Here, I needed to grasp the intricacies of internal processes.

My motivation comes from Siemens' positive work environment, where employees are valued and integrated into the business, directly contributing to its success. Seeing the results of our legal work empowering colleagues and leading to positive outcomes is highly motivating.

Last, but not least, one of the most significant changes was achieving a better work-life balance.

CEELM: How large is your in-house legal team, and how is it structured?

Bacek: The Siemens in-house legal team across the Czech Republic and Slovakia comprises roughly 10 people. Each member has specific responsibilities aligned with particular business units and companies.

CEELM: How do you decide when to outsource legal work?

Bacek: We primarily rely on our in-house team. We outsource only when specialized expertise is needed that we lack internally, or when tasks offer minimal added value for our lawyers. Examples of outsourced tasks include debt collection, routine filings, and insolvency proceedings. We may also outsource for specific cases requiring unique expertise not readily available within the team or that wouldn't be beneficial for them to learn due to limited future use.

CEELM: What criteria do you use when selecting external counsel?

Bacek: We have a panel of law firms reviewed and selected every four years according to company policy. We choose

from these pre-vetted firms based on their specific expertise in the relevant area. Expertise is the primary criterion – we need firms that can assist us without needing to learn the subject matter on our dime. Price is a secondary factor considered only when multiple firms offer similar expertise.

CEELM: What has kept you and your team busy lately, and what's on the horizon? What potential issues do you see impacting your workload the most?

Bacek: Our core function is supporting the business through contract and claim management, a collaborative effort by our legal team. We also address new legal issues implemented nationally or within the organization. Contract and claim management form the bedrock of our work.

Over the past year in the Czech Republic and Slovakia, the implementation of the whistleblowing act and new cybersecurity regulations have been key areas of focus, along with maintaining strong relationships with our business units. As a B2B company, our work differs from the retail sector. Our focus is on specific business units within client companies.

Looking ahead, we anticipate new regulations in cybersecurity and artificial intelligence impacting our workload. Additionally, we'll need to adapt to developments in digitalization and technological advancements.

CEELM: What are the main challenges you foresee for general counsels in Czechia and Slovakia?

Bacek: Consistent monitoring and implementation of the new legislation will be an ongoing challenge, particularly for multinational companies compared to local firms. While we benefit from cross-border collaboration within Siemens, EU-based legislation often undergoes significant variation during implementation in individual countries. This necessitates local legal reviews and adaptations even for seemingly straightforward EU regulations.

Economic conditions will also play a role. During economic downturns, claim management becomes more critical. Conversely, a thriving economy reduces the need for claim management and debt recovery efforts. Ideally, with customers paying on time, our involvement is minimized.

Contract and claim management are ongoing processes, not one-time actions. Additionally, potential new legislation regarding ESG is on the horizon, though the timing and specifics remain unclear. This will be a topic of discussion within Siemens and the broader legal community. ●

MARKET SNAPSHOT: CZECH REPUBLIC

Current Issues Relating to Whistleblowing in the Czech Republic

By **Barbora Urbancova, Partner, and Jakub Krivka, Associate, Peterka & Partners**



It has been more than half a year since the Czech Republic transposed the *EU Whistleblowing Directive* by introducing the *Czech Whistleblower Protection Act* (Act), effective as of August 1, 2023.

The main aim of the Act is to create secure internal reporting channels within which whistleblowers may report defined violations of the law of which they have become aware in connection with their work or other similar activities. For this reason, all employers with 50 or more employees, together with other specified persons, are considered obliged entities and, as such, are required to implement an internal reporting system (IRS).

As the whistleblowing legislation stems from an EU directive, multinational groups of companies tend to have their own global whistleblowing solutions. This may seem attractive, however, as legislation varies considerably from country to country across Europe, local implementation is inevitable, and as the obliged entity must ensure the report can be submitted in person, appointing a local Whistleblowing Officer is usually recommended. The differences include the violations that fall within the scope of reporting, the reporting process itself, the procedure of processing reports, the communication with the whistleblower, the time limits, whether there is anonymous reporting, and other issues. Failure to comply with local regulations may result in the liability of the obliged entity. Furthermore, in order to assess the reasonableness of the report properly, knowledge of local legislation is necessary.

In the Czech Republic, only obliged entities with 249 or fewer employees (including agency employees) are allowed to share an IRS. If an obliged entity has 250 or more employees, then it is required to have its own IRS and its own Whistleblowing Officer, even if it is part of a group. Special rules apply for obliged entities that are subject to AML regulations, such as financial institutions, law firms, etc.

A global solution usually includes internal policies the scope of which is broader than the Czech Act. This can cause complications in practice when a report is actually submitted. The Act contains an exhaustive list of violations which may be reported. The obliged entity is not obliged under the law to ensure



the assessment of the reasonableness of the report, which is not included in this exhaustive list. However, if the obliged entity decides to extend this list, the question of whether the obliged entity will then be subject to the obligations under the Act in relation to the report submitted in this extended scope is not yet resolved. For the sake of safety, it is recommended to proceed with all reports that fall within the scope of the Act and the internal policies in compliance with the Act.

Under the Act, only the Whistleblowing Officer officially designated by the obliged entity can have access to the full contents of the report and the identity of the whistleblower(s). Other persons, such as HR team members, may have access only to anonymized or generalized parts of the report and only under the condition that such sharing is necessary for the investigation and assessment of the report.

Obliged entities are required to publish specific information about the IRS in a way that allows remote access. The term “remote access” can be interpreted simplistically to mean the internet. The most common and best solution is to provide this information on the obliged entity’s website. It is essential that this information be easily accessible to potential whistleblowers. The existence of an external reporting system operated by the Ministry of Justice of the Czech Republic must also be mentioned.

Control over compliance with the Act is carried out by the Ministry of Justice and the Labor Inspectorate. Inspections are already carried out by the Labor Inspectorate, focusing mainly on whether the obliged entity has: (i) a designated Whistleblowing Officer, (ii) adopted internal policies, (iii) ensured that whistleblowers are able to submit a report, (iv) published information about their IRS in a manner allowing remote access, (v) ensured that only the Whistleblowing Officer has access to the full content of the reports, (vi) already received a report – if so, related documentation on the assessment is required.

It is therefore necessary for obliged entities in the Czech Republic to ensure that they have duly implemented the Act. ●

Cybersecurity – New Challenge for Czech Businesses?

By Petr Hradil, Head of Cybersecurity, Peterka & Partners



Similarly to other countries, the Czech Republic is undergoing a digital transformation. Without a doubt, this transformation allows businesses to facilitate their operations and makes all of our lives much easier. On the other hand, this transformation leads to new cybersecurity threats that may hinder businesses and cause significant losses.

Threats of cyberattacks have become more imminent recently due to several factors, such as the COVID-19 pandemic that made companies adapt to remote working and, consequently, created more opportunities for cybercriminals. The war in Ukraine has also increased the risk of cyberattacks.

Such attacks are usually aimed at confidential information and data which present an essential value for businesses and organizations. Attackers also often try to disrupt the operations of certain organizations – in particular, of providers of important services or utilities.

The fact that cybersecurity risks have increased is evidenced by data published by the authorities as well as by certain businesses. *The 2022 Report on the State of Cybersecurity in the Czech Republic* issued by the Czech National Cyber and Information Security Authority (Authority) on July 17, 2023 (the Authority's most recent report on this topic), states that while the Authority recorded a slight decrease in cyber incidents in 2022, the Czech Police recorded an almost twofold increase in cybercriminal activities. The report also mentions that the activities of state-sponsored cyber actors and cybercriminal groups continue to be the greatest threat to the Czech Republic's cybersecurity. The increase in cybersecurity risks was confirmed by businesses. For instance, according to a press release published on January 30, 2024, by the Czech Banking Association, in 2023, Czech banks recorded 69,685 attacked clients with a total damage of CZK 1.35 billion.

These steadily increasing cybersecurity risks have been reflected in various pieces of legislation. The most significant piece of legislation concerning cybersecurity is *EU Directive 2022/2555 on Measures for a High Common Level of Cybersecurity Across the EU*, called NIS 2, which modifies the current cybersecurity legislation applicable in the EU. NIS 2 entered into force on January 16, 2023, and EU Member States must im-

plement it into their national legislations by October 17, 2024. In the Czech Republic, the Authority already published a bill that is going to implement the NIS 2 Directive and which shall soon be introduced to parliament.

The obligations to be imposed on the organizations by the new legislation will include the obligation to take appropriate and proportionate technical, operational, and organizational measures to manage the risks posed to their systems. These measures will consist of adopting policies assessing the effectiveness of cybersecurity risk-management measures or ensuring supply chain security and human resources security. Members of management bodies will be required to attend regular training to gain sufficient knowledge and skills to identify risks and their impact on the services provided by the organizations.

Non-compliance with the obligations may lead to significant fines as the EU legislation requires EU member states to ensure that the fines will reach a maximum of at least EUR 10 million or 2% of total worldwide turnover.

It is presumed that the new legislation will impose cybersecurity requirements on a much broader number of businesses than the current legislation. According to some estimates, in the Czech Republic, the number of organizations affected by the new legislation will increase from 600 to at least 6,000. Some say that it may even concern 15,000 subjects. The costs for implementing the obligations imposed by the new legislation are not negligible either. Czech organizations that are already dealing with cybersecurity have indicated that they annually spend tens of millions of Czech koruna (e.g., hospitals or Czech Post), hundreds of millions of Czech koruna (banks), or even billions of Czech koruna (the Czech conglomerate generating, distributing, and trading electricity and heat).

Although cyberattacks may present significant risks and the breach of obligations imposed by cybersecurity legislation may bring important sanctions, many businesses have not yet begun preparing for the new rules. According to some surveys, up to 80% of employees of IT departments in Czech companies do not know whether their organizations will be affected by the new legislation. This number seems high. Since the implementation of new requirements may take time, Czech companies should begin to prepare at their earliest convenience. Otherwise, cybersecurity may become a real challenge. ●

What to Expect in Czech M&A in 2024

By Jan Varecha, Associate Partner, PRK Partners



The Czech economy entered a deep slump in 2023 caused by the rather rare and unfortunate combination of negative economic and geopolitical factors, including one of the highest inflation rates in the EU, rising interest rates, high energy prices, a large public finance deficit, and the adverse impacts of the war in Ukraine. Altogether, these economic difficulties resulted not just in an economic recession but also adversely affected the Czech M&A market.

Even during such challenging times, both Czech and foreign investors kept fighting for attractive Czech targets in various sectors and successfully closed several large M&A deals, such as the strategic acquisitions of gas lines operator NET-4GAS and gas storage facilities operator RWE Gas Storage by state-owned Czech electric energy transmission system operator CEPS, the sale of well-known manufacturer of optical equipment Meopta Optika to Carlyle, and the Christmas-time acquisition of Czech parcels logistics company Packeta by a consortium formed by CVC and Czech investment group EMMA Capital. However, the number of smaller M&A deals dwindled significantly, and the overall number of transactions closed in 2023 dropped by approximately 20%.

Expectations for 2024 are much brighter. Inflation is slowing and interest rates are expected to decline, which indicates the Czech economy might rebound soon. The anticipated economic resurrection may also have a positive impact on the local M&A market. Besides economic factors, the 2024 Czech M&A environment will also be affected by noteworthy legislative changes.

New Tax Regime Applying to Sales of Shares by Individuals

It's no secret that tax changes can be a strong (de)motivating factor in any economic activity, and the Czech M&A market is no exception.

One of the main goals of the current Czech Government has been to tame rampant public debt. Therefore, it introduced a new tax consolidation plan that substantially limits various existing tax exemptions, including an exemption for individuals on the taxation of proceeds from share sales and sales of other types of stakes in business entities, among other meas-

ures. As of 2025, sellers meeting statutory conditions (such as holding for periods of three years for shares and five years for other types of stakes) will no longer benefit from an unlimited exemption. Instead, gross proceeds from sales of shares and stakes exceeding an annual cap of CZK 40 million will be subject to a tax.

Since this change will only apply to individuals and the tax cap is relatively low, sellers will logically be motivated to avoid the additional tax burden and might attempt to close their contemplated share sales and receive the cash proceeds from such deals in 2024 rather than waiting until 2025. This might result in an increase in the number of small and medium-sized Czech M&A transactions. Moreover, investors will probably prefer holding their shares indirectly through legal holding entities in the future (which will still benefit from an unlimited exemption), and we might also see a different approach to the structuring of the purchase price mechanism in share purchase agreements. In particular, there will probably be more deals where the purchase price will be divided into smaller annual installments or will include some form of annual earn-out.

New Regulation for Cross-Border Transformations

The second legislative change worth noting is an amendment to the Czech Transformations Act – a piece of legislation that provides the legal framework for mergers, demergers, and other forms of corporate transformations. The amendment is currently halfway through the Czech legislative process, and its main purpose is to implement new European rules introduced by the *EU Mobility Directive* for cross-border conversions, mergers, and divisions.

The prepared amendment will be the largest change to the *Czech Transformations Act* since 2011, and it will introduce several new concepts not recognized by the current *Transformations Act*, such as the possibility of transferring the seat of a Czech entity to a non-EU country or the use of a new type of demerger: division by separation. In addition, the amendment should provide for a number of useful technical changes, including the explicit regulation of parallel transformations or newly simplified publication and information duties that may open new opportunities for more complex local and cross-border transactions, offer more flexibility, and lower transaction costs. ●

PRK Partners Proudly Supports Ukraine

PRK Partners з гордістю підтримує Україну

PRK Partners, a leading Central European law firm, has been helping clients achieve their business objectives for **more than 30 years**. The company has offices in the Czech Republic and Slovakia (in Prague, Ostrava and Bratislava), as well as a wide team of experts specialising in various areas of law, which allows PRK Partners to find solutions to any legal problems, combining international perspective and in-depth knowledge of local legislation.

Besides our **long-term successful track record in assisting and representing Ukrainian clients in their business matters in the Czech Republic and Slovakia**, PRK Partners takes active part in various business and government platforms supporting Ukraine and has engaged in the number of initiatives to help Ukrainians.

From the very beginning of the Russian full-scale invasion **the firm's lawyers**, leveraging their expertise, **have actively joined the Czech Bar Association's call for legal aid to Ukrainian citizens affected by the crisis**.

We provide pro bono legal services to Ukrainians, particularly concerning migration and labour law, ensuring that Ukrainian citizens receive necessary legal support promptly. This contribution highlights **PRK Partners' dedication to upholding justice and providing assistance to those in need during challenging times.**



Illia Antonov,
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general corporate law, mergers & acquisitions,
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Our Ukrainian Team



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Areas of Practice:

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copyright, protection of intellectual and industrial property
rights, personal data, mergers & acquisitions,
private international law





KNOW YOUR LAWYER: 🇸🇰
TOMAS SEQUENS OF
KOCIAN SOLC BALASTIK

Career:

- Kocian Solc Balastik; Partner; 2022–present
- Kocian Solc Balastik; Counsel; 2017–2022
- Kocian Solc Balastik; Associate; 2003–2017
- Kocian Solc Balastik; Junior Lawyer; 1999–2003

Education:

- Charles University in Prague, Faculty of Law; JUDr.; 2002
- Charles University in Prague, Faculty of Law; Mgr.; 1999
- Charles University in Prague, Faculty of Natural Science; Mgr.; 1996

Favorites:

- Out-of-office activity: Architecture
- Quote: “We wanted the best, but it turned out like always” – Viktor Chernomyrdin
- Book: *Ordinary Life (Obyčejný Život)* by Karel Capek
- Movie: *The Matrix I*

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

Sequens: Without any doubt, I consider the most challenging project to be the current HyFlex Alpha hydrogen project of Smart Energies Group. The aim of the project, which will be located on the site of the Triangle Strategic Industrial Zone near the Czech city of Zatec, is to build a flexible renewable hydrogen and low-emission hydrogen production zone with a capacity of approximately 30 megawatts. Another pillar of the project is the simultaneous supply of heat to commercial properties located within the Triangle industrial zone and the provision of power balance/ancillary energy services. The HyFlex project is scheduled to be completed and operational by the end of 2027. The project is quite exceptional in its size, the intersection of energy, chemistry, and law, and the absolute emphasis on sustainability principles.

CEELM: And what has been your main takeaway from it so far?

Sequens: The HyFlex Alfa project is extraordinary in its multidisciplinary nature requiring the cooperation of a number of professionals from different fields: chemists, planners, energy engineers, financial investors, and legal and transactional advisors. The importance of the project goes beyond the borders of the Czech Republic and is fully transnational – just like the efforts to mitigate the impact of the climate crisis on human civilization. Behind such a project are many individuals, with their everyday worries and joys but those must never be allowed to take priority over or affect the life of the project itself.

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

Sequens: If I had talent and could draw, I'd be an architect.

Top 5 Projects:

- Advising Smart Energies Group on the construction of a first-class Czech hydrogen project;
- Offering long-term legal advice to the REMA Group on the operation of collective end-of-life product management (EPR) systems;
- Advising Green Gas DPB on the operation of a system for the extraction and distribution of mining gas and its use in cogeneration power plants, including legal aid in pricing and operational aspects of the operation of a gas leak detection system;
- Offering long-term advice to Lovochemie, including advice on the redevelopment and operation of its energy source and the development of a number of chemical processing units;
- Advising Asental Land on the cleaning and redevelopment of its land affected by coal mining.

However, I was not given such an aptitude and that is why I am an attorney specializing in environmental and energy law.

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

Sequens: I started studying at my first alma mater, the Faculty of Science at Charles University, in 1990, immediately after the Velvet Revolution. At the very first lecture, we were welcomed by Professor Cihalik, the father of Czech environmental sciences. His opening words went something along the lines of: “You have a whole life ahead of you, free and democratic. Whatever you do, try not to spoil it.” In the end, only 15 of the original 30 of us finished our studies, but we all remember Professor Cihalik to this day.

CEELM: Name one mentee you are particularly proud of.

Sequens: Since 2005, I have been working on a number of environmental cases with my colleague Petra Mirovska, with whom we have created a quite unique environmental litigation team. I have successfully educated my colleague in environmental sciences and have learned many litigation tactics from her. We have provided countless precisely tailored legal advice to our clients since 2005, and our clients appreciate our passion and keen insight into the nooks and crannies of their businesses. While referencing Trinity, one of the main characters of the successful Matrix series, we often tell our clients: “Give us a few hours and we'll definitely learn to fly your helicopter.”

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

Sequens: Grey is the theory and green is the tree of life. Don't be disturbed by that. ●

MARKET SPOTLIGHT: BOSNIA AND HERZEGOVINA

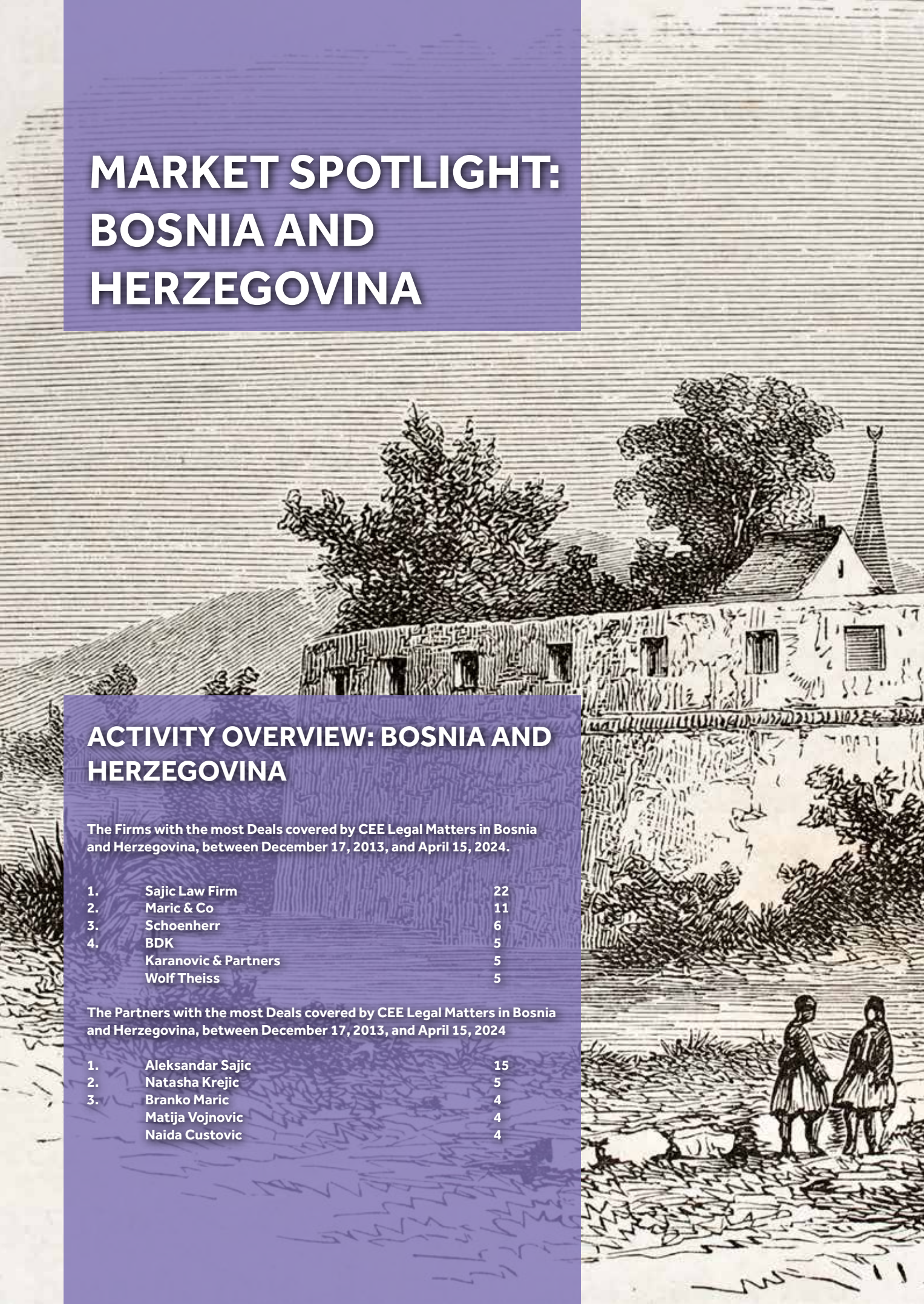
ACTIVITY OVERVIEW: BOSNIA AND HERZEGOVINA

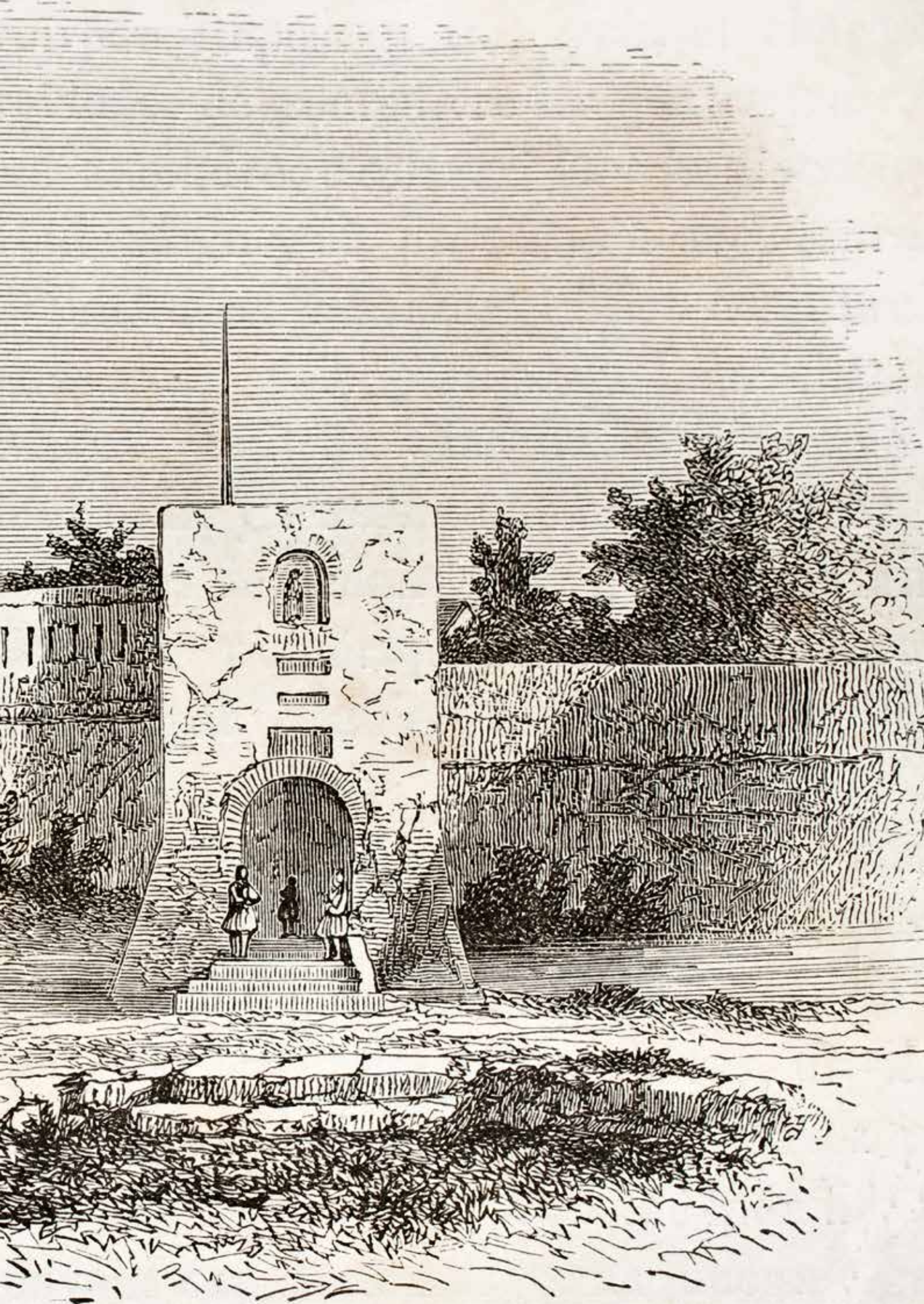
The Firms with the most Deals covered by CEE Legal Matters in Bosnia and Herzegovina, between December 17, 2013, and April 15, 2024.

1.	Sajic Law Firm	22
2.	Maric & Co	11
3.	Schoenherr	6
4.	BDK	5
	Karanovic & Partners	5
	Wolf Theiss	5

The Partners with the most Deals covered by CEE Legal Matters in Bosnia and Herzegovina, between December 17, 2013, and April 15, 2024

1.	Aleksandar Sajic	15
2.	Natasha Krejic	5
3.	Branko Maric	4
	Matija Vojnovic	4
	Naida Custovic	4





INSIDE INSIGHT: MIRZA KAHVEDZIC OF EOS MATRIX BOSNIA AND HERZEGOVINA

By Teona Gelashvili

EOS Matrix Bosnia and Herzegovina Executive Director for Legal Affairs Mirza Kahvedzic discusses his career path leading up to his current role, how his legal team operates, and current challenges faced due to slow court proceedings.



CEELM: Tell us a bit about yourself and your career path leading up to your current role.

Kahvedzic: After completing my internship at Section II for Organised Crime, Economic Crime and Corruption of the Court of Bosnia and Herzegovina in 2017, I continued my professional career at EOS Matrix, where I work to this day. I can say that at EOS I had the opportunity to professionally advance step by step – progressing from a Legal Associate to Head of the Legal Department, to my current role of Executive Director for Legal Affairs.

After 2020, our company expanded its scope of interest, and we started acquiring portfolios of secured receivables and real estate, which resulted in creating another business line – and I stepped into the role of Head of Legal Secured Receivables Department. After some time, I was appointed Procurator of the company, and after that, I settled in the position of Executive Director for Legal Affairs. In the meantime, I passed the bar exam, as well as the attorney’s exam, completing my formal legal education.

At the same time, I hold the position of Procurator in Creditable Opportunities BA, a company founded as a joint venture by our owner – the Hamburg-based EOS Group and the International Finance Corporation, a member of the World Bank Group, which also specializes in the sale and purchase of non-performing loans and acquisition and sale of the real estate. This type of highly successful cooperation with the IFC in Bosnia and Herzegovina is something I am particularly proud of.

CEELM: What was the biggest difference when transitioning to the private sector and what were the biggest challenges for you?

Kahvedzic: Moving to the private sector, particularly at a company like EOS Matrix, which is part of the EOS Group with over 6,000 employees, offered extensive opportunities for personal and professional development. I’m referring to the op-

portunity to actively participate in the decision-making process and make a real impact on the business, our clients, and society in general.

The biggest challenges for me were certainly reflected in the efforts to justify the trust and responsibility given to me, in terms of making important decisions and taking responsibility for them as well as for organizing the successful functioning of various departments.

CEELM: How large is your in-house team currently and how is it structured?

Kahvedzic: EOS Matrix in Bosnia and Herzegovina has a total of 80 employees, and our leadership position in the market of debt collection, purchase, and sale of real estate, is largely due to the merits of our internal lawyers.

When I joined EOS Matrix, there were but three lawyers, and now there are 18. Seven are assigned to the Legal Secured Receivables department – which deals with corporate NPL claims secured by mortgages, and pledges and handles our real estate portfolio. Eight are part of the Legal Unsecured Receivables department – which deals with the collection of NPL portfolios – i.e., debts toward natural persons. Lastly, three are part of the Compliance and General Legal Affairs department, which also includes six colleagues from administrative affairs. As was already the case for all of these years, the expansion of our business activities is something that will naturally follow the further expansion of our in-house legal teams.

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

Kahvedzic: Looking at the structure of our cases – we have thousands of active court proceedings – our in-house lawyers handle most of those. We take a custom approach in relation to certain cases with greater exposure, and based on this we decide whether to outsource a certain case or group of cases to one of the more than ten law firms we cooperate with in Bosnia and Herzegovina.

Criteria such as geographic location, specific know-how in relation to certain legal situations, and determining the work priorities of our internal team lawyers, all guide us when deciding on whether to externalize. For us, it is really important to establish cooperation with highly respected lawyers who are experts in the field of enforcement, litigation, and insolvency proceedings, and possess the specific knowledge needed to handle complicated transactions of acquisitions of new portfolios and ultimately to provide effective solutions for legal workout and court collection of receivables.

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

months? What are you keeping on your radar that you think will impact your workload the most?

Kahvedzic: A stable investment cycle which included the purchase of dozens of NPL portfolios owned by commercial banks seated in Bosnia and Herzegovina, as well as real estate portfolios intended for further sale on the market, is something that kept us quite busy in the previous year – last year we invested approximately EUR 35 million into the market. Observing the trends, this cycle will certainly continue in the current business year. Financially, the company is on a strong track with a positive earnings figure of more than EUR 5 million EBT.

However, every portfolio acquisition entitles our efforts to continue with great results in the collection of the claims and sale of real estate, and that is a challenge. Looking at the results so far, the quality of our employees, as well as the enormous support from our group, I am confident that we will achieve excellent results in the months and years that follow.

CEELM: What do you foresee to be the main challenges for GCs in Bosnia and Herzegovina in the near/mid future?

Kahvedzic: For a relatively small market like Bosnia and Herzegovina, there are certainly many challenges. One of those involves finding quality personnel and this is something we are actively working on as a company, not only in terms of recruiting and offering a benefits system for our employees but also in terms of our collective efforts to ensure that top talent stays in our company for the long haul.

Challenges are reflected in our efforts to overcome obstacles that we most often encounter in the court system – combating and arguing against uneven judicial practice courts and trying to use different work-out methods and legal instruments to speed up court proceedings and get them in line with the time tracks prescribed by the law. The slow pace of court proceedings can be frustrating – we actively engage with the system and use all legal remedies to overcome this issue (i.e., stronger “grip” on the court, reaching out to court presidents, appealing to the Constitutional Court of Bosnia and Herzegovina, etc.) in order to advocate for faster resolutions and ensure our cases are handled efficiently.

Finally, the challenges of modern times require constant monitoring of trends in the field of process digitization and development of IT, and this is for sure something we are constantly trying to follow and implement in our processes. To that end, we have a dedicated team constantly evaluating and integrating new solutions to improve our processes and efficiency. ●

MARKET SNAPSHOT: BOSNIA AND HERZEGOVINA

Mortgage Extension to Subsequently-Built Objects in Bosnia and Herzegovina

By Djordje Dimitrijevic, Head of Real Estate, Dimitrijevic & Partners



While local courts have been taking the stance that mortgage over the land does not extend to objects subsequently built on the mortgaged land, in one recent case, the Supreme Court of Republika Srpska (RS Supreme Court) took an entirely opposite one. Applicable laws support the stance of the RS Supreme Court. Clear treatment of this issue by the courts is important for both mortgage creditors and buyers of subsequently-built objects.

Bosnia and Herzegovina (BH) comprises two entities – Republika Srpska (RS) and Federation of BH (FBH) – and the Brcko District of Bosnia and Herzegovina (BD) special district. The property rights on immovables are regulated on the level of RS, FBH, and BD. The laws of RS, FBH, and BD incorporated the Roman law principle pursuant to which the legal status of objects and the land on which such objects are built should be the same. The consistent application of such a principle means that in the case land is mortgaged, the object built on such land will also be mortgaged. There are only a few exemptions to such a principle (e.g., in the case of granted concession and in the case of a construction right established over the respective land).

Court Practice Denying Mortgage Extension Rule

In 2019, the district court in Banjaluka (in RS) rendered a decision pursuant to which the mortgage established over the land does not, by virtue of law, extend to the objects built on such land after the establishment of the mortgage. The court argued that the mortgage agreement must explicitly specify that the mortgage will extend to the subsequently-built objects on that land, which was not the case. Consequently, the mortgage creditor could not settle its claim by selling subsequently-built objects in the enforcement proceeding.

In another case, the municipal court in Bugojno (in FBH) rejected to inscribe ownership over immovable property in land books in favor of the person who purchased such property in the enforcement proceeding. The immovable property was sold to the elected purchaser in the enforcement proceeding initiated for the settlement of the claim secured by a mortgage established on such property. After the establishment of the mortgage, two new floors were built on the mortgaged prop-

erty. Pursuant to the court, these changes altered the property after the establishment of the mortgage and such alterations prevent the inscription of the purchaser as the new owner in the land books. The respective court decision was confirmed by the second-instance court.

The Approval of Mortgage Extension by the RS Supreme Court

In October 2023, the RS Supreme Court rendered a decision allowing enforcement over objects built after the establishment of a mortgage over the land on which the objects were built. The mortgage was established in 2013 over the land on which the building was under construction. In 2014, the plaintiff concluded an agreement to purchase the object in the respective building. At the time of the conclusion of the respective agreement, the object was not inscribed in land books and the plaintiff knew that the mortgage was inscribed over the land.

The court found that the rights from the land extend to the objects permanently attached to such land. Thus, the court concluded that the plaintiff purchased a mortgaged object.

Conclusion

The abovestated stance of the RS Supreme Court is in accordance with RS laws and should serve as a guide to the lower-instance courts in RS. We are not aware if the same stance has been adopted in the practice of FBH and BD courts. Since the laws in RS, FBH, and BD treat this matter equally, this issue should be treated the same, i.e., in line with the RS Supreme Court decision. We are not aware if the BH Constitutional Court (as a final court authority in BH) shares the views of the RS Supreme Court with respect to this matter. Therefore, it might be appropriate to explicitly state in mortgage agreements that the mortgage will extend to the objects built upon the establishment of the mortgage.

Having the above in mind, purchasers of objects under construction should carefully examine the legal status of the land prior to the conclusion of a purchase agreement. Unlike in certain EU jurisdictions, BH does not have adequate statutory rules on the protection of purchasers of objects under construction. Therefore, these purchasers could only acquire contractual guarantees for the protection of their rights if the seller is willing to provide some. ●

Challenges of Intellectual Property Rights in Bosnia and Herzegovina

By Milica Cizmovic, Partner, Cizmovic Law Firm



Respecting intellectual property rights (IPR) in Bosnia and Herzegovina is a journey less traveled, yet one of paramount importance in today's digital age. In a world where information knows no bounds and creative works are easily shared with a click, the value of safeguarding original ideas and innovations often takes a back seat. Let's dive into this exploration of the complexities surrounding intellectual property in a landscape where imitation frequently overshadows ingenuity. The lack of awareness and enforcement mechanisms regarding IPR poses significant challenges for creators and innovators striving to protect their work. Without proper safeguards in place, the risk of exploitation and unauthorized use looms large, hindering the growth of a dynamic and inventive environment within the nation. Additionally, as technology continues to advance at a rapid pace, navigating the intricate web of intellectual property laws becomes increasingly daunting for individuals and businesses alike.

When delving into the realm of IPR in Bosnia and Herzegovina, a glaring concern emerges in the form of inadequate awareness and regard for these fundamental rights and accompanying legislation. Despite the existence of robust legal structures governing IPR, the actual execution of these laws presents a formidable hurdle. While the administrative capabilities within institutions overseeing IPR in Bosnia and Herzegovina are commendable, the critical need remains for stringent enforcement of legal provisions in real-world applications.

Despite significant progress made to harmonize Bosnia and Herzegovina's laws with European regulations on IPR, the ultimate challenge remains in effectively executing these regulations in practice. Sadly, the glaring disconnect between theory and practice persists as a pressing issue. Central to this challenge is the stark reality that intellectual property concerns are often relegated to a position of insignificance, overshadowed by more immediate priorities. As the country grapples with these complexities, a crucial shift in mindset and allocation of resources is imperative to foster a culture where IPR are not only acknowledged but actively safeguarded and championed as drivers of innovation and economic growth.

A prevalent problem within the realm of IPR in Bosnia and Herzegovina is plagiarism. This unethical practice involves the unauthorized use of another person's intellectual property

without proper acknowledgment of the original creator. The evolution of new technologies presents the legal system with fresh challenges in protecting IPR, giving rise to new issues. In a community where there is a lack of clear awareness regarding the rights of intellectual creators, as well as a fear of repercussions, it becomes difficult to instigate a shift that would lead to the respect for creators' rights and a fear of consequences. As digital technology and internet usage continue to proliferate, the online showcasing of intellectual property has become increasingly prevalent. However, this development brings its own set of challenges. While IPR protections extend to digital platforms, enforcing these rights poses difficulties. The ease of replicating digital content, combined with the sheer volume of online material, makes monitoring and regulating intellectual property infringements on the internet a complex task.

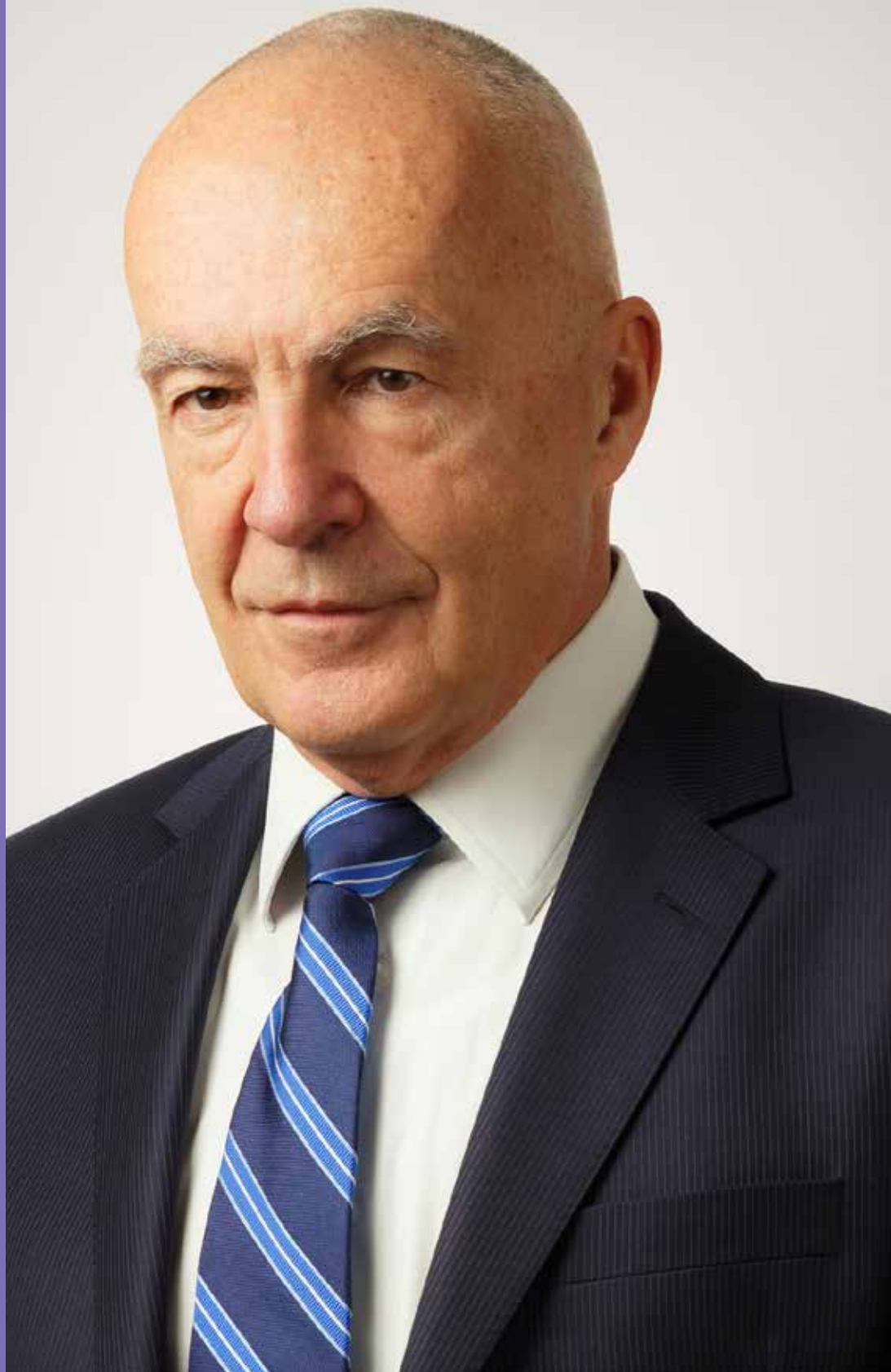
The lack of adequate protection measures and stricter sanctions for IPR violations pose a significant barrier to any meaningful progress in Bosnia and Herzegovina. The prevailing issue stems from a general lack of awareness among the public regarding the seriousness of intellectual property infringement, exacerbated by ineffective sanctions and a shortage of preventive measures from the owners of intellectual creations. Without robust protection mechanisms in place, coupled with more stringent repercussions for violators, there is little incentive for individuals and businesses to respect IPR. The absence of a strong deterrent fails to deter potential infringers, leading to a culture where such violations are normalized and often go unpunished. Moreover, the lack of proactive measures from intellectual property owners further compounds the problem. Without actively safeguarding their creations through proper registration, monitoring, and enforcement, creators leave their intellectual property vulnerable to exploitation and unauthorized use.

From a critical perspective, it is evident that without an overhaul of the existing system to incorporate stronger protection measures and stricter penalties for violators, the situation is unlikely to improve. The prevailing apathy toward intellectual property rights violations will persist unless there is a fundamental shift in mindset, supported by robust legal frameworks and enforcement mechanisms. Failure to do so not only undermines the rights of creators and innovators but also hampers economic growth, innovation, and competitiveness in the long run. Often aware of the steps we need to take to achieve our desired goal or produce the intended effect, we conclude that sometimes it is easier said than done. ●

KNOW YOUR LAWYER: BRANKO MARIC OF MARIC & CO

Top 5 Projects:

- Advising on local aspects of the Agrokor/Fortenova restructuring;
- Advising state electrical company Elektroprivreda BiH Sarajevo on the EUR 700 million loan from the Chinese investment bank CEXIM in relation to the construction of the Blok 7 thermal power plant;
- Advising Porsche on an asset deal with ASA and its market entry into Bosnia and Herzegovina;
- Advising on the reorganization process involving the separation of production, transfer, and distribution of electric energy and water management of the consortium led by IPA Energy Consulting, involving the transformation of the entire energy sector in BiH, as a result of which the initial operations of the ISO (Independent System Operator for the Transmission System in BiH) and Transco (Electric Energy Transmission Company of BiH) were established;
- Advising Turkish Airlines on setting up a joint venture with the Government of FBH and establishing a BH national airline.



Career:

- Maric & Co; Senior Partner; 2024-present
- Maric & Co; Managing Partner; 1971-2023

Education:

- University of Sarajevo, Faculty of Law; Graduate Jurist (dipl. iur.); 1970
- University of Belgrade, Faculty of Law; LL.M.; 1975

Favorites:

- Out-of-office activity: Skiing, hiking through forests, and mushroom picking
- Quote: Rolling stones gather no moss
- Book: *Crime and Punishment* by Fyodor Dostoyevsky
- Movie: *Pulp Fiction*

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

Maric: Maric & Co operates in one of the most challenging jurisdictions in the world. Simply put, there is no other country as small with such a complicated legal and political system as Bosnia and Herzegovina. Just imagine a country of 3 million people where regulations are made at the state level, at the level of political entities, and at the level of cantons, without a state-level Supreme Court, thus resulting in quite inconsistent judicial practice. This undoubtedly poses a huge problem in everyday business, carrying significant risks, but also offering the opportunity to make a difference compared to other lawyers attempting to practice in Bosnia and Herzegovina.

This was best demonstrated in one of the largest deals we have recently been involved in: the restructuring process of the Croatian conglomerate Agrokor, which had a highly developed business in Bosnia and Herzegovina. We were not involved in this process from the beginning, and as a first step upon getting a mandate, we received a pre-prepared restructuring plan to provide comments on. To the great surprise of the client, the only comment was “the plan is entirely unfeasible.” It was crafted based on the opinion of another relatively renowned law firm which, simply by reading the law, concluded that the conversion of claims into equity was possible. While such an opinion could be formed by solely reading the law, the problem lies in the fact that the court tasked with deciding on this matter interprets the law in a completely different manner, and a restructuring based on the opposite stance simply could not be executed.

When asked about the biggest deals we’ve worked on, I must say I never engage in their ranking. For me, the biggest deal is always the one I’m currently working on; all others fade, remembered only by what was perhaps new or specific to them. Currently, my largest deal is representing the EBRD in financing the construction of the largest photovoltaic power plant in Bosnia and Herzegovina. It involves not only financing, the arrangement of relations with other creditors, and the creation or control of financial documents but also comprehensive instructions to the borrower on how to resolve land ownership issues for construction, obtain all permits, and regulate relations with the equipment supplier in order to secure valid collateral. This is now the biggest deal, but tomorrow it will be financing the construction of a highway in the Republic of Srpska (a political entity within Bosnia and Herzegovina) by a Chinese investor, a deal we just secured.

CEELM: And what was your main takeaway from the Agrokor matter?

Maric: The lesson from this story is very clear. In order to provide reliable advice, it is essential to have a sufficient number of specialized lawyers who not only understand the regulations and consistent judicial practice but also the differing views of individual courts. Conducting practice with just one or two lawyers, possibly supported by a lawyer from the parent company abroad, simply poses a risk to the client because you never know when you might slip up. Therefore, I consider the concept developed in the SEE Legal group, of which we are a member for Bosnia and Herzegovina, to be exceptional. This group consists of one leading firm from each country in the Balkan region, eliminating the need to venture into practicing law in another country. Instead, you can rely on a law firm that fully understands the legislation, judicial practice, and relevant state bodies.

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

Maric: I have never had a mentor in the true sense of the word. I was the top student in my class and the first in my class to graduate from college, but I never attended lectures or had consultations with any of the professors. When I started working as a lawyer, I gathered knowledge from my father (who was also a lawyer) and his colleague because nobody offered me that knowledge; I only obtained it to the extent that I sought it. Perhaps this is a harder way to acquire knowledge, but it has one advantage: it develops critical thinking. You don’t adopt others’ opinions and templates for solving problems; instead, you deeply analyze them and find your own solutions. Nowadays, obtaining templates for any kind of document is not a problem, and applying them may be sufficient in some cases, but eventually, everything comes to fruition. For example, I once worked on a simple sale of shares in a BiH company while my local colleague worked for a larger foreign company. They even had standard template objections to the draft contract submitted by the seller and standard objections submitted by the buyer. Since that colleague wasn’t quite clear on what those standard objections meant, in the official negotiations, he presented the seller’s standard objections instead of the buyer’s, so I had no choice but to say, “Colleague, you are absolutely right; I accept all objections.”

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

Maric: My advice to all beginners would be to think and think outside the box. If you use a template, think about what each provision means and what its purpose is, even if they are sometimes drafted by the greatest legal minds, and consider whether a better solution can be found. ●

EXPERTS REVIEW: CAPITAL MARKETS



This issue's Experts Review focuses on Capital Markets in CEE. The articles are presented ranked by bank capital to assets ratio (%), i.e., the ratio of bank capital and reserves to total assets, according to World Bank 2022 data.

Croatia leads the way with a 9.9% bank capital-to-assets ratio.

Country	Percentage	Page
Croatia	9.9	Page 62
Bulgaria	9.8	Page 63
Slovenia	9.1	Page 64
Kosovo	8.9	Page 65
Albania	8.6	Page 67
Turkiye	8.2	Page 68
Czech Republic	6.7	Page 69
Lithuania	5.5	Page 70
Serbia	N/A	Page 72

Croatia: Sustainability Linked Bonds on the Capital Market

By Martina Kalamiza, Partner, Lovric Novokmet & Partners



Almost two years ago, I discussed in an article published in *CEE Legal Matters* the presence of “green” bonds and financings in Croatia. The thesis put forward in that article was focused on the necessity of companies and financial service providers to be more “green” in terms of the products they offer on the Croatian (capital) markets and goals on sustainability which should be accomplished.

Today, it can be seen that sustainability requirements are more and more present not only in traditional finance transactions but in the Croatian capital markets as well.

The finance documents include sustainability-linked loan principles as standards for traditional lending activities while the ICMA international standards on sustainability-linked bonds (SLBs) are incorporated as terms and conditions for the issuance of the SLBs on the Croatian market. Both of those sustainability principles have a similar goal – improving the borrower’s/issuer’s position in terms of sustainability requirements.

However, the question which arises is: are SLBs the right fit to accomplish real environmental, social, and sustainability goals?

Promising Sustainability?

SLBs are debt securities whose aim is to get finance through the capital markets for certain sustainability-related targets or meet specific sustainability performance goals. The ICMA defines them as “any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ESG objectives.” They are used both by the public and private sectors (both of which are seen on the Croatian capital markets) and are a great fit for companies having difficulties in reaching specific environmental and sustainability goals.

Unlike green bonds (also known as use of proceeds bonds), where the proceeds of the bonds should be used for specific environmental or social projects or targets, the proceeds of SLBs are not ring-fenced to sustainable green projects. There are no “firm commitments” on the issuer side to reach certain targets, which makes those bonds only targets-based bonds.

The issuers of SLBs do not commit to using any amount of the proceeds for specific projects or business activities that meet environmental, social and management, or sustainability criteria nor business restrictions in that sense. Thus, it is right to state that SLBs are rather flexible in terms of targets and are aimed

at accomplishing certain environmental or social outcomes/targets which are measured/defined by key performance indicators (KPIs). The KPIs are checked by independent and external verifications by experts.

If the targets put forward by the KPIs are not met, the issuers will pay a penalty (coupon penalty), which makes those bonds attractive to investors since they will get monetary compensation in the “event of default” under SLBs.

The flexible character of SLBs in terms of reaching sustainability targets in a certain period defined under the SLB’s terms and conditions and the possibility to use the bond proceeds for even general corporate purposes make SLBs attractive to issuers who can easily access capital markets finance.

This advantage can prove to be a disadvantage with SLBs being more vulnerable to accusations of having a greenwashing character.

Sustainability of Higher Goals – What Does the Future Hold for SLBs?

The EU proposal for the *Corporate Sustainability Due Diligence Directive*, if enacted at the EU level, shows that sustainability will go beyond the climate level and it will tackle not only the environment but also human rights.

The legislative framework on ESG compliance (currently in place and the ones which have to be implemented at a national level/enacted on the EU level) together with the fact that under the *Croatian National Development Strategy*, 37% of funds through investments and reforms must be directed to the green transition and the fight against climate change until 2030 put forward new challenges on the issuer and subscribers accessing capital markets.

Those factors will definitely impact the issuers’ choice of bonds available to access the capital markets (social, green, sustainable), the success of their subscription by investors who might be hungry for investments that are compliant with “real” ESG requirements, and the way of directing operations toward sustainability, reducing carbon dioxide, and increasing the share of electricity from renewable sources.

The SLB market has huge potential to grow in the future as a source of financing certain general sustainable goals of companies at least in a transitional phase. However, the real goals and projects financed through green, sustainable, social bonds will take us closer to a more sustainable world. ●

Bulgaria: OTC Derivatives, Repurchases, and Securities Lending Transactions – Expected EBRD-Driven Reforms

By Tsvetan Krumov, Partner, Schoenherr



Derivatives, repurchases, and securities lending transactions are often used by sophisticated financial institutions and large corporate entities in Bulgaria to manage their portfolios of investments, hedge against financial risks, or get short-term credit. Such products are predominantly offered on an OTC basis by foreign banks, with mainly the largest local banks having the know-how and resources to do the same.

A key legal matter in structuring such transactions is whether the major risk-reducing mechanism for non-defaulting counterparties – close-out netting arrangements – is enforceable in case of insolvency or restructuring of the Bulgarian counterparties under such deals. Close-out netting arrangements are contractual stipulations whereby, following insolvency or a restructuring event with respect to one of the counterparties, all due obligations of the parties may be set-off while future obligations/non-executed transactions may be terminated and replaced by their estimated values as if there had been no termination using complex formulae (estimated current exposures). Leaving aside the financial and mathematical aspects, the crucial question that needs to be addressed from a legal perspective is whether such mechanisms would be effective in the first place. In other words, it needs to be established whether the contractual arrangements for set-off, termination, and replacing terminated deals with the estimated current exposures - as elements of the close-out netting will not be affected by the mandatory moratoriums and other statutory restrictions for counterparties in distress/insolvency.

Bulgaria has piecemeal protection for close-out netting arrangements in restructuring or insolvency proceedings. It is limited to domestic laws transposing relevant EU directives (e.g., on financial collateral or restructuring/winding-up of banks and MiFID investment firms). Outside the scope of such laws, parties need to consider automatic termination clauses whereby close-out netting is agreed to take effect before the date of relevant moratoriums restricting the effectiveness of contractual arrangements. For example, contractual set-off (as an element of the close-out netting) is permitted under Bulgarian laws of contract but is overridden by mandatory insolvency restrictions, so it should be agreed to occur before the time when such restrictions are triggered.

Such automatic termination clauses, apart from being complex, result in a termination of the counterparty's transactions at a time that the non-defaulting party has no control over, and thus may be unfavorable for the latter. Thus, if an automatic termination occurs when underlying rates/indices of a derivative are unfavorable for the non-defaulting party, it may have to pay a net sum to the defaulting party.

Following a two-year project supported by the EBRD and the EU Commission, the Bulgarian Ministry of Finance prepared a comprehensive netting legislation draft that was approved by the Bulgarian Government and was submitted to the Parliament in February 2024 (Expected Reform Law). The Expected Reform Law will supplement the currently applicable law transposing the *EU Financial Collateral Directive* (FCD) in Bulgaria so the close-out netting arrangements eligible for protection will broadly follow the FCD's scope and relevant technical definitions. A list of eligible counterparties and broad functional protection for close-out netting arrangements will apply, both being similar to those under the FCD. Most importantly, close-out netting arrangements will be protected irrespective of the opening/continuation of insolvency/restructuring, the latter being broadly defined to encompass all such existing and future Bulgarian proceedings as well as foreign proceedings for Bulgarian entities whose center of main interest is abroad. The subject matter scope (i.e., the list of eligible transactions that will benefit from close-out netting protection) will encompass *inter alia* derivatives, repos, and securities lending transactions.

The Expected Reform Law is expected to bring legal certainty to financial transactions and reduce the need to have complex additional AET clauses. We believe counterparties may still take steps now to avail of the Expected Reform Law by having some forward-looking arrangements for a fast-track replacement of AET clauses. In particular, it may be agreed that if and when the Expected Reform Law enters into force, the financial institution counterparty that is normally more experienced will unilaterally replace AET arrangements by termination via notice of the non-defaulting counterparty. In this manner, potential losses for the non-defaulting counterparty associated with AET will be significantly reduced. ●

Slovenia: Navigating Property Bonds

By Maja Zgajnar, Partner, and Neza Voncina, Attorney at Law, CMS



In recent years, we have been seeing that real estate developers are starting to turn to debt capital markets to raise capital for their real estate development projects in Slovenia. When issuing bonds for real estate development projects, investors usually expect to have security on the real estate property that is being developed. Similar to other finance transactions, collateral can take various forms. This article examines the possibilities of establishing collateral on real estate property for bonds in Slovenia.

In financing transactions where multiple creditors have claims against a debtor (usually arising out of the same loan agreement), such as syndicated loans, it is common to establish the collateral on real estate by using joint and several creditorship as a legal instrument. By creating joint and several creditorship, the creditors aim to provide a single source of financial security for all of their claims. Such security is created in favor of a security agent as a joint and several creditor and any collateral (e.g., mortgage, pledge of shares, pledge of movable property, etc.) is then created in favor of a security agent.

Bonds are dematerialized securities issued in the name of the bondholder and the specific rules of Slovenian law on dematerialized securities must be considered when structuring the issuance of bonds and the collateral securing them. Claims arising from dematerialized bonds are linked to and included in the bond. The legal basis for such a claim of the bondholder is the bond itself, and only the bondholder registered with the Central Securities Depository (KDD) can exercise rights related to dematerialized bonds. Therefore, only the legal bondholder can exercise rights arising from the bonds, including demanding payment or initiating enforcement. The issuer's obligations under the bonds, on the other hand, exist only toward the legitimate bondholder registered with the KDD.

This means that a third party (e.g., a security agent) cannot become a joint and several creditor of claims arising out of bonds merely by entering into a civil agreement on a joint and several creditorship. Unlike a loan agreement, such an agreement alone does not suffice to hold claims under the bonds as a joint and several cred-

itor because the claims arise from securities (bonds). To legitimately hold claims and exercise rights under bonds, the third party must be a legitimate and registered bondholder of all issued bonds. Furthermore, the rights arising from bonds are indivisible. Individual rights out of bonds cannot be transferred separately; they must be transferred together with the transfer of the security (bond).



An option is to create a parallel debt by means of a promissory note, which is an abstract financial instrument. The issuer may issue a promissory note in favor of a security agent for the same amount as is owed to investors under the bonds. A mortgage in the name and for the benefit of the security agent could secure the debt under the promissory note. In such a case, the issuer, the security agent, and the bondholders would set out in an intercreditor and agency agreement the mechanism for the repayment of the debt under the bonds to the bondholders, which would also ensure that the security agent is not entitled to receive more than the bondholders. In addition, the parties may also stipulate in the agreement that the agent can only have a claim for payment under the agreement if the obligation under the bonds is not paid and that any enforcement would be for the benefit of the bondholders.

In summary, the issuer must carefully consider which collateral mechanism is most appropriate for its issuance of bonds for a real estate development project. In addition to the option mentioned above, the issuer may consider other options for collateral. These include a share pledge over the business shares of the property developer. Furthermore, by way of a multi-party agreement involving all the bondholders and the issuer, a joint maximum mortgage can be created up to the aggregate value of the bonds, with direct enforceability of the individual claims of each bondholder. This benefits all bondholders by ensuring the direct enforceability of individual claims within the maximum mortgage, as registered in the land register. A multi-party agreement may also create multiple maximum mortgages, each for claims of individual bondholders and with direct enforceability of individual claims, but all with the same rank registration in the land register. ●

Kosovo: Initial Phase in Capital Market Development – Balancing Challenges and Benefits

By Fisnik Salihu, Managing Partner, and Klit Shala, Senior Managing Associate, RPHS Law



On January 25, 2024, the Office of the Prime Minister of the Republic of Kosovo published a list of concept notes anticipated for drafting and adoption by the Kosovo Government in the present year.

The concept note, a regulatory prerequisite to the enactment of legislation within a specified domain, specifies the objectives of prospective governmental policy and the optimal modalities for their implementation.

To this end, among the roster of 2024 concept notes, the inclusion of a concept note for Financial Markets signifies a stride toward regulatory oversight and formal governmental commitment to the regulation of the financial market, thereby encompassing the capital market. It is important to note that Kosovo presently lacks legislation governing capital markets pertaining to corporate or municipal securities. The sole securities permissible for exchange, either in primary or secondary markets, are government bonds, predominantly brokered through or exclusively procured by institutional investors, such as licensed banks or Kosovar Pension Fund known as Trusti.

It merits acknowledgment that government bonds were initially tendered to retail investors in 2021 through the issuance of Diaspora Bonds, specifying commercial terms tailored to the investment capacity of retail investors – a solicitation directly targeting the retail investor investment capacity.

Adopting legislation to cover capital markets and facilitating the exchange of securities in primary and secondary markets constitutes an impressive endeavor, albeit a necessary one for Kosovar corporations and retail investors alike. For Kosovar corporations, this provides an alternative avenue for capital raising, currently operating within a sector that is traditionally dominated by banks for capital acquisition through traditional loans or analogous debt instruments. Notably, amid global surroundings characterized by escalating interest rates to combat inflation, this potentiality holds positive prospects. Conversely, for retail investors – particularly within the context of diaspora influx – this presents an opportunity to diversify investments from illiquid assets like real estate to more liquid instruments such as securities.

However, the realization of these envisaged benefits hinges upon substantial challenges, chiefly the harmonization of Kosovar leg-

islation with the extensive corpus of *EU Acquis* related to capital market development, pursuant to the *Stabilization and Association Agreement* concluded between the European Commission and Kosovo in 2015. Noteworthy directives for transposition encompass the *MiFID Directives*, the *Prospectus Regulation*, and the *Market Abuse Regulation*, among others.



These challenges extend beyond mere transposition to encompass the effective implementation and enforcement of capital market legislation, ensuring market integrity and investor protection. This inevitably necessitates potential amendments to the *Criminal Code* to incorporate tailored criminal offenses pertaining to securities transactions, alongside the requisite training of prosecutors and judges to adjudicate market manipulation or insider trading practices, thereby safeguarding a fundamental tenet of capital markets – market integrity.

Beyond these legal complexities, two pivotal challenges exist. Firstly, the operational and investment costs related to establishing a stock exchange venue necessitate significant public investment to underwrite the requisite technological infrastructure. Secondly, the institutional dimension – whether to establish a new securities agency tasked with overseeing and implementing capital market legislation or to delegate such responsibilities to Kosovo's Central Bank, already vested with authority for financial supervision and regulation.

Consequently, the materialization of tangible economic benefits becomes necessary to outweigh the challenges, including but not limited to capital mobilization and the increase of employment level (as an indicator of economic stability). Thus, the central issue at hand pertains to whether Kosovar corporations can successfully raise capital within domestic market venues or if listing on foreign exchange markets would prove more advantageous. Alternatively, in the spirit of regional cooperation, the prospect of establishing a regional market within the Western Balkans warrants consideration for the future. While some of these issues may fall outside of the scope of a national concept note, they nevertheless merit deliberation. ●



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Albania: Passporting of EU Investment Funds Now Possible... But Not Really There Yet

By Aigest Milo, Co-Managing Partner, Kalo & Associates



Albania, driven by its commitment to align with European Union standards, has embarked on a comprehensive journey to harmonize its financial legislation with EU directives, particularly in the realm of capital markets. At the forefront of this effort stands *Law 56/2020 “On Collective Investment Undertakings”* (Albanian CIU Law), a pivotal piece of legislation that encompasses the passporting of foreign investment funds into Albania. This landmark law, coupled with the recent enactment of *Regulation no. 37* (Passporting Regulation) and *Regulation no. 38* (Distribution Regulation) by the Financial Supervisory Authority (FSA), lays down the groundwork for the processes of passporting and distribution within the Albanian financial landscape.

As it may be noted, the detailed governing rules for the passporting (recognition and registration) are brand-new, being adopted by the FSA only last year despite the general concepts of this process being already foreseen in the Albanian CIU Law.

Within the framework of the Albanian CIU Law, only recognized management companies and designated distributors, including Albanian second-tier banks, are authorized to offer undertakings for collective investment in transferable securities with open participation. However, the scope of passporting is presently limited to management companies overseeing “undertakings for collective investment in transferable securities” with open participation (UCITS) that are regulated at the EU level. In essence, only UCITS and their affiliated management companies registered or licensed within a EU jurisdiction are eligible for passporting into Albania. While the regulatory infrastructure is in place for UCITS, the passporting of Alternative Investment Funds (AIFs) remains pending, awaiting forthcoming regulations from the FSA to address this segment of the market.

Despite the clear regulatory framework outlined in the Albanian CIU Law, practical implementation faces an additional requirement that adds a layer of complexity. The law stipulates that the FSA must consider the existence of cooperation agreements for mutual recognition of foreign administrative companies between itself and the regulatory authority in the management company’s

country of origin. The FSA has made a conservative interpretation of such provision and the Passporting Regulation, in turn, has made it a condition precedent since it sets forth that a “collaboration agreement between the FSA and the relevant country’s regulatory authority is mandatory for the passporting of the management company of UCITS.”

Presently, the FSA has established mutual recognition agreements with regulatory authorities in only three EU countries: Luxembourg, Malta, and Austria. However, it’s worth noting that the recent successful passporting of Eurizon Capital S.A and its managed UCITS marks a significant milestone, signaling progress and paving the way for potential opportunities for other interested parties.

Navigating the passporting regulatory process is quite straightforward, with interested parties having to submit a comprehensive set of documents falling into two categories: regulatory approvals from the country of origin and Albanian-related documents. These encompass licenses, approvals from the relevant regulatory bodies, prospectuses, and contractual agreements with Albanian distributors. Upon receipt of the complete documentation, the FSA is mandated to issue a decision on passporting within a stipulated timeframe of three months.

While the regulatory landscape lays the foundation for passporting EU investment funds into Albania, the practical implications and market dynamics warrant a deeper exploration. The gradual convergence of Albanian financial regulations with EU standards not only facilitates cross-border investment but also fosters investor confidence and contributes to the overall development of the Albanian financial ecosystem.

In conclusion, while the passporting of EU investment funds into Albania represents a significant step toward financial integration, it also underscores the complexities inherent in aligning regulatory frameworks across jurisdictions. By navigating these challenges with diligence and collaboration, Albania stands poised to unlock new avenues for economic growth and investment, ultimately forging stronger ties with the European Union and the global financial community. ●

Turkiye: Recent Developments in Sustainability Reporting under Turkish Law

By Hulya Kemahli, Partner, and Zeynep Berin Manavgat, Associate, CMS Turkiye



Turkish legal system.

In terms of the Turkish capital markets law, the *Corporate Governance Communiqué Numbered II-17.1* (CGC) was amended on October 2, 2020, and the *Sustainability Principles Compliance Framework* (Compliance Framework), which was prepared by the Capital Markets Board (CMB), was adopted. With this amendment, it has been regulated that publicly traded companies that meet the criteria specified in the CGC are subject to sustainability principles and the relevant companies will include the disclosures within the scope of the Compliance Framework in their compliance reporting with corporate governance principles. In this context, relevant companies are obliged to explain whether the sustainability principles are applied or not, and if not, the reason for not complying with the sustainability principles.

It is stated that the principles included in the Compliance Framework are the basic principles that publicly traded companies are expected to disclose while carrying out their ESG activities. Accordingly, it is regulated that publicly traded companies regulated under the CGC will include the Compliance Framework starting from the annual reports of 2021, including data from 2020. For the companies that apply/applied to the CMB for an initial public offering of their shares and/or commencement of trading on the stock exchange, the Compliance Framework will be included in the annual reports of the relevant year, including the data for the year following the year in which the shares of the companies started to be traded on the stock exchange. The Compliance Framework regulates (a) strategy, policies and objectives, implementation or monitoring, and reporting and verification under the heading of general principles; (b) environmental principles; (c) human rights and employee rights, stakeholders, international standards, and initiatives under the heading of social principles; and (d) the issues to be complied with and/or disclosed regarding

corporate governance principles under articles of the framework.

According to the CMB's *Board Decision Numbered 34/977* dated June 23, 2022, the disclosures required to be made within the scope of the Compliance Framework by the companies whose shares are traded on the BIST Main Market (*Ana Pazar*), BIST Stars Market (*Yıldız Pazar*) and BIST Sub-Market (*Altı Pazar*) shall be made using the Sustainability Report Template (Template) which has been published by the CMB on the Public Disclosure Platform to be used starting for the year 2022. In the related decision, it is underlined that compliance with sustainability principles is voluntary, and it is stipulated that by using the Template, annual financial reports should be reported within the notification period and in any case at least three weeks before the date of the general assembly meeting. Including the Template in the annual reports is not mandated by the CMB – it is left to the discretion of the companies. The relevant Template has been prepared in parallel with the headings regulated in the Compliance Framework.



Apart from the CMB's regulations, as a general regulation, with the amendment to the *Turkish Commercial Code Numbered 6102*, the Public Oversight, Accounting and Auditing Standards Authority (POA) was authorized to determine and audit the Turkish Sustainability Reporting Standards (TSRS). It is stated that the purpose of the TSRS is to ensure unity of practice and international validity of sustainability reporting and the TSRS will follow international standards. In this context, the POA has issued the *TSRS 1 General Provisions on Disclosure of Sustainability-Related Financial Information* and the *TSRS 2 Climate-Related Disclosures*. In addition, the POA has issued two assurance auditing standards and a guideline to provide assurance audits on sustainability reports.

In the announcement published by the POA, it is regulated that banks will be included in the scope of the TSRS without any criteria, while other companies will be included in the scope of the TSRS based on their total assets, annual net sales revenue, and number of employees, and they are obliged to prepare a sustainability report from the year 2024. ●

Czech Republic: Changes in Alternative Fund Regulation

By Filip Michalec, Head of Capital Markets, and Dominik Kralik, Associate, Wolf Theiss



Investment funds in the Czech Republic are regulated by the *Czech Investment Companies and Investment Funds Act (ZISIF)* and by local implementing regulations (governmental decrees and decrees of the Czech National Bank – CNB).

ZISIF has broadly transposed EU regulations into Czech law – in particular, the *UCITS Directive* and *AIFM Directive* – and forms the backbone of investment fund regulation in the Czech Republic.

Types of Investment Funds in the Czech Republic

Czech law recognizes three basic types of funds: standard funds, special funds, and qualified investor funds.

Standard funds allow investments from the general public (retail investors). This type of investment fund is the most strictly regulated in the Czech Republic.

Special funds are open to both retail and qualified investors. These differ from standard funds, particularly in the range of assets they are permitted to invest in.

Qualified investor funds, on the other hand, are open only to “qualified investors.” A qualified investor is typically a financial institution or a person who declares that they are aware of investment risks and invest at least EUR 125,000 or a person who satisfies among other things the knowledge and investment experience requirements and invests at least CZK 1 million (approximately EUR 40,000).

All of these funds are regulated and must be licensed by the CNB or managed by a licensed investment company. They are also subject to rigorous reporting and disclosure requirements depending on their type.

Apart from these regulated funds, it is possible to invest in alternative funds (or “mini-funds”), which are mostly outside the scope of the ZISIF. These are regarded as the least regulated type of funds in the Czech Republic.

Alternative Funds – The Least Regulated Investment Funds in the Czech Republic

An alternative fund is a type of investment fund that intends to manage assets for a limited group of investors under a defined investment strategy. Alternative funds can invest in essentially any type of asset, including investment instruments, crypto-assets, and even collectibles, such as postage stamps and fine wines and

spirits.

Alternative funds do not require a regulatory license and are not supervised by the CNB (a simple registration and reporting are sufficient). Consequently, the regulatory conditions for establishing and operating alternative funds in the Czech Republic are very lenient.

Alternative funds are intended primarily for qualified investors and they are open to retail investors to a very limited extent (no more than 20 retail investors are allowed). Alternative fund managers are also not permitted to contact the public with investment offers.

Changes to Alternative Funds

Alternative funds have become very popular in the Czech Republic due to their light-touch regulation and because they are easy to establish. However, this ease of establishment and the unlimited scope of investments have brought with them a temptation to break the rules. Indeed, retail investors have often been misled into believing that alternative funds are supervised by the CNB, which gives them false confidence in the security of their investments.

As a result, an amendment to the ZISIF was proposed (expected to come into force on July 1, 2024) which will require these funds to clearly identify themselves as venture capital undertakings. They will be prohibited from using the word “fund” in their name so as not to mislead investors into believing that alternative funds are supervised by the CNB. New disclosure and reporting obligations will also be introduced, including a mandatory warning that investing in alternative funds is high-risk and that investors could lose their funds.

A minimum investment of EUR 125,000 will be introduced for investors, with an exception for families and friends whereby up to 20 people will be entitled to invest without meeting the minimum deposit requirements.

Although Czech investment fund legislation is based on the common European framework and does not offer many surprises, it is beneficial to be aware of local specifics that include the local regulation of alternative funds. We recommend keeping an eye on developments in the Czech Republic since it is likely that establishing and operating investment funds will be subject to stricter regulatory requirements in the future. ●



Lithuania: Capital Market of the Baltic States and the Trends – A Q1 Outlook

By Dziuginta Balciune, Partner, Widen



The Baltics: Public Capital Market of the Baltic States and the Trends: An Outlook from Q1 2024

The Baltic region, comprising Lithuania, Latvia, and Estonia, boasts an emerging public capital market facilitated by the unified securities trading platform – the Nasdaq Baltic Stock Exchange.

Trading Platform

Each Baltic State houses one securities exchange: Nasdaq Vilnius, Nasdaq Riga, and Nasdaq Tallinn. These exchanges operate under the unified Nasdaq Baltic Exchange group and are regulated by each country's national bank. Utilizing a standardized trading platform and a single depository, the exchanges collectively form the Baltic securities market, offering a common marketplace for trading and information dissemination to issuers and investors.

The Nasdaq Baltic Stock Exchange facilitates the trading of company shares, bonds, and treasury notes. Listings fall into two categories: the regulated market and the First North alternative market. The regulated market meets EU standards and is compliant with IFRS and ESG reporting, etc. Nasdaq First North, an internally governed market, offers a trading facility with reduced reporting requirements. It is set to target primarily smaller cap issuances.

Market Trends

By the end of the first quarter of 2024, the Nasdaq Baltic platform saw trading in the shares of 72 companies, with 19 of them listed on the Nasdaq First North market. Concerning the trading of debt securities, as of March 31, 2024, there were 103 issuances quoted, with 34 of them in the unregulated Nasdaq First North market. At the end of the first quarter of 2023, there were 75 companies' shares quoted, with 19 of them on the Nasdaq First North market. In the debt securities segment, there were 94 issuances quoted, with 26 of them on the Nasdaq First North market. Similarly, at the end of the first quarter of 2022, there were 73 companies' shares quoted, with 15 of them on the Nasdaq First North market. In the debt securities segment, there were 83 issuances quoted, with 18 of them on the Nasdaq First North market. A clear increase in the number of issuances is observed in the Nasdaq First North market, with financing through the capital market becoming increasingly popular among emerging enterprises in the Baltic States.

From the perspective of turnover, trading in debt securities in the first quarter of 2024 amounted to EUR 24.6 million, of which EUR 16.3 million accounted for trading in bonds listed on the Nasdaq First North market. In the first quarter of 2023, turnover

in debt securities amounted to EUR 10.9 million, with EUR 2.4 million accounted for trading in bonds listed on the Nasdaq First North market. Meanwhile, in the first quarter of 2022, turnover in debt securities was EUR 9.1 million, with EUR 2.2 million accounted for trading in bonds listed on the Nasdaq First North market.

The recent significant increase in bond trading on the unregulated market signals the attractiveness of this capital-raising instrument among both debtor and investor groups. Despite market participants being accustomed to high interest rates reaching levels of 4% and above, the recently issued debt securities often feature both fixed and variable interest rate components. The variable interest rate component linked to the EURIBOR enhances the attractiveness of the instrument under current market conditions while providing flexibility for the issuer and assurance for the creditor.

Experts project a positive outlook for the M&A market in the Baltics in 2024, largely driven by expectations of interest rate reductions. However, the challenges to achieving upward performance in M&A activities may primarily stem from Competition Councils' skeptical stance toward business consolidation deals. Furthermore, private equity firms are facing reduced investor confidence following a highly publicized and ongoing misconduct case by one of the region's largest PE firms.

Conclusions

Given the propensity for growing entities with robust cash flow to seek higher leverage ratios in anticipation of new business cycles, there is likely to be an increased corporate proclivity toward accessing capital markets throughout 2024. Primarily, this focus will center on debt securities, as elevated interest rates adversely impact stock valuations, rendering IPOs less appealing for financing amid current market conditions.

Recent trends indicate favorable reception toward bond issuances featuring a blend of fixed and variable interest components, resonating well with both investors and issuers. Furthermore, including an early redemption option enhances the appeal of these instruments while providing issuers with viable refinancing alternatives should market dynamics shift before maturity.

Considering these factors alongside the flexible offerings of the regulated and First North markets provided by the Nasdaq Exchange, corporate bonds are poised to emerge as the primary driver for bolstering business capital market penetration throughout 2024. However, lingering uncertainties persist regarding potential challenges posed by private debt and placements or the growing traction of peer-to-peer lending platforms to the future development of the public debt market in the Baltics. ●

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Serbia: Navigating Capital Markets – Overcoming Challenges while Striving Toward Rebirth

By Sava Pavlovic, Partner, Zivkovic Samardzic Law Office



The economic sector of the Republic of Serbia, including the capital market, offers a telling reflection of the global market's challenges and some regional specifics. Despite periods of uncertainty and stagnation, Serbia's capital market maintains signs of vitality and potential for growth.

Currently, the Belgrade Stock Exchange (BELEX) facilitates trading in stocks and bonds, with expectations for expanded offerings encompassing other debt securities, derivatives, deposit certificates, and additional financial instruments. The BELEX lists stocks from public joint stock companies, while bonds primarily originate from the Republic of Serbia, supplemented by offerings from Serbian construction company Energoprojekt Holding. The first quarter of 2024 evidenced overall trading progress, with notable increases observed in March. During this period, the BELEX15 index grew by 6.92%, while the BELEXline index saw a 7.17% surge. Notably, Messer Tehnogas emerged as the most traded stock in the past month, achieving a recorded turnover of EUR 535,184, followed by Dunav osiguranje with a turnover of EUR 267,310, and Naftna industrija Srbije taking the third place with EUR 230,657. Not good, not bad, with marks of positive development, but still far away from its full potential.

As a herald of positive change, the previous year brought important personnel transitions within the BELEX – the appointment of a new executive director. Such changes are understood as the beginning of a new chapter. Following Ivan Laposavic's appointment as BELEX's new CEO in 2023, he embarked on his tenure with a mandate to enhance market efficiency and allure new investors. Moreover, the personnel shifts within the Securities Commission also signal the commitment to fortifying the capital market and its integrity, as Marko Jankovic took the helm. Although every significant change requires time, the new energy that those personnel changes have brought to the market can be clearly seen.

The proactivity of the Serbian government, particularly the Ministry of Finance, is something that has to be noticed and welcomed – for the first time in years, true action could be seen. Following the recent adoption of the capital market development strategy spanning from 2021 to 2026, concerted efforts have been directed toward bolstering institutional capacities, refining regulations, and fostering participation from diverse market players. Key objectives include enhancing the investing environment, legal

security, innovation, and the introduction of new financial products. By promoting the issuance of diverse bonds, including green and thematic bonds, and nurturing the growth of alternative investment funds, the strategy aims to diversify funding sources for the economy. In the sense of diversification, the National Bank of Serbia is also actively working on the draft *Law on Crowdfunding*, following the 2024 *Action Plan for Startup Development*, and it should not come as a surprise that the BELEX plays a role in it.

In line with global market trends, Serbia's capital market has embraced corporate bonds as an alternative avenue for financing companies. In response to the COVID-19 pandemic in 2020, the government introduced incentives to strengthen the economy, including streamlined procedures for issuing corporate bonds. Although only 10 companies have issued corporate bonds, the Minister of Finance has announced plans for a substantial increase in corporate bond issuance in 2024, with support from the Republic of Serbia covering issuance costs.

To give additional incentive to capital market development, in 2023, the World Bank authorized a EUR 27.7 million loan to the Serbian government. This represents a significant impetus for Serbia's financial sector, granting optimism for the expansion and sustainability of its capital market. Through fortifying market institutions and promoting the issuance of diverse bonds, Serbia endeavors to cultivate a more resilient and diversified financial landscape, thereby promoting economic resilience and growth.

The recent reaffirmation of Serbia's credit rating at BB+/positive outlook by S&P Global Ratings' and BB+/stable outlook by Fitch Ratings underscores the nation's steadfast economic policy framework and growth indicators. This affirmation demonstrates Serbia's resilience to external shocks – a critical element in fostering sustainable economic growth and investor confidence that is expected to be a driver for future capital market development.

To summarize, recent events within the BELEX, coupled with the World Bank's substantial loan approval and efforts of the Serbian government, particularly the Ministry of Finance, showcase the firm commitment to developing a dynamic and resilient capital market. With strategic initiatives focused on institutional strengthening, regulatory refinement, and the promotion of diverse financial products, Serbia aims to attract investment and secure economic growth, promising a brighter economic future for the capital market and its entire economy. ●

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