



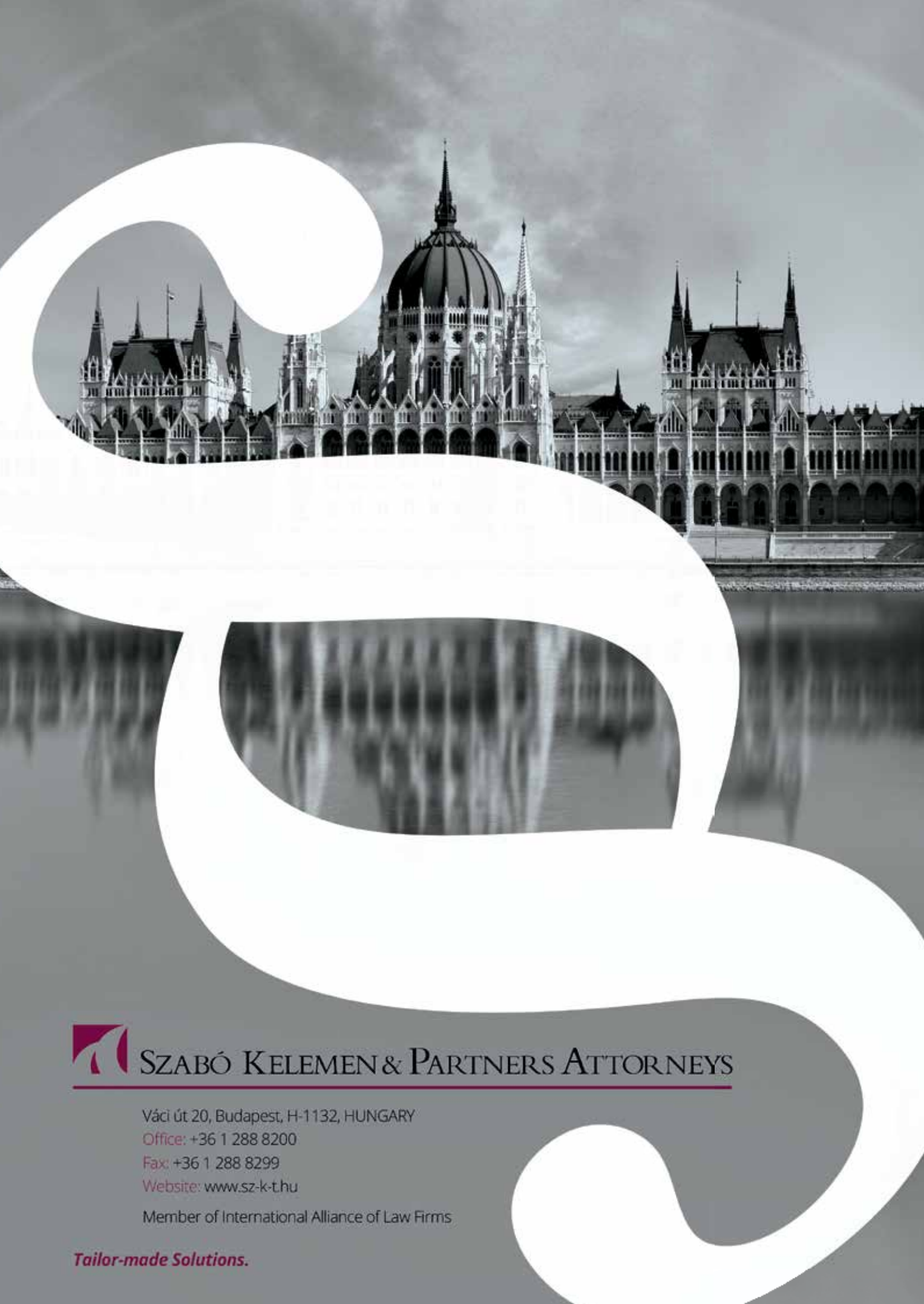
CEE

YEAR 3, ISSUE 2  
APRIL 2016

# LEGAL MATTERS

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

- ACROSS THE WIRE: DEALS AND CASES IN CEE ■ THE ENERGY SECTOR IN CEE ■
- MARKET SPOTLIGHT: AUSTRIA AND HUNGARY ■ CEE BUZZ ■ INSIDE INSIGHTS ■
- ON THE MOVE: BIG CHANGES IN ESTONIA ■ THE CHATTERBOX ■ INSIDE OUT ■
- CREATIVE SOLUTIONS IN A CRITICAL CAUSE: WOMEN IN LAW FIRMS ■
- ANTI-CORRUPTION SENSITIVITIES FOR MULTI-NATIONAL PLAYERS IN EMERGING MARKETS ■
- HUNGARIAN ROUND TABLE ■ EXPERTS REVIEW: REAL ESTATE ■



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

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# Editorial: Looking Past the Static



As I was reading the news from across CEE last Sunday, I came across headlines showing that the far right was doing well in the current presidential elections in Austria – portending another in a series of victories by right wing parties across the region in recent years. Out go the old, in come the new.

As a not-unrelated matter, at CEE Legal Matters we regularly speak to lawyers in countries such as Turkey, Hungary, and Poland, among others, who express concern about how right-swinging national politics in their countries – or at least the manner in which political developments in their countries are seen by outsiders – might negatively influence investor appetites.

But this is not something new for CEE. And I've found myself thinking of the several conversations I've had with Partners in recent months making a completely opposite point and describing political changes – or concerns about them – merely as "static" or "noise." Indeed, they've been describing these developments in terms that could be paraphrased as: "Look, there's a lot of coverage of potential political risks associated with the country, but the reality is that investors are seeing past that static and are looking at the indicators that really matter." One such comment can be found in this issue, in fact, on page 63. And the happy bottom line to that analysis is that, if we look beyond the noise, there seem to be plenty of opportunities drawing investors into CEE.

It might be a bit of a stretch to claim that the the privatization-driven gold rush of the 1990s is making a return to the region. But if one looks at CEE closely, some positivity and optimism are justified. In our last issue's Buzz section for

Poland, we spoke to a Managing Partner of an international law firm who reported that despite concerns over how the new Polish Government might deter investments, it had yet to really do so. In this issue's Market Spotlight Round Table on the Hungarian legal market (page 62), participants reported that, despite a Government perceived to be interventionist, utilization rates are at their highest since before the 2007/2008 crash. In our regional energy report (page 42), we showed how, in Greece, for instance, as a result of the bailout deal, positive reforms are being implemented. And, as I also mention in our new section, The Chatterbox, when looking at basic indicators such as 2016 GDP forecasts, CEE countries are leading the pack among EU member states.

But there's another element to this as well. As many of our readers know, I'm a Romanian national. As such, I can't help but take some pride in seeing Romania regularly identified as one of the most bullish markets in CEE these days. What I find especially interesting is how much of the narrative put forward by the Romanian media suggests that the considerable improvement in the country's economic performance resulted from the country's most recent presidential elections. That may or may not be true, or entirely true, but in any event it leads me to a fundamental consideration: If in CEE new leaders are hailed for bringing about structural change in markets, and if we have markets where new or prospective leaders are feared for the structural changes they might bring – while all these countries seem to be growing at a considerably healthier rate than in recent years – then we need to be looking at more than merely the political noise as responsible for the success or failure of the economies in these markets.

From our side, we'll continue to do our best to dig beyond the static. We look forward to your support in that mission.

Radu Cotarcea

**Correction and Apology:** After the February 2016 issue of the CEE Legal Matters magazine was printed and put in the mail to subscribers we discovered, to our horror, that in the formatting process we somehow mixed up several of the Experts Review articles, putting the wrong articles under the photos and bylines of authors in Austria (Christian Hammerl, Partner at Wolf Theiss), Montenegro (Nikola Babic, Partner, and Jovan Barovic, Attorney, Moravcevic Vojnovic i Partneri in cooperation with Schoenherr), and Bosnia & Herzegovina (Emina Saracevic, Partner, and Saida Porovic, Associate, SGL Saracevic & Gazibegovic Lawyers). As soon as we were alerted to this mistake, we fixed the errors on the version of the issue available on the CEE Legal Matters website, but it was of course too late to fix the printed copies that went out to subscribers. We offer those authors, and our readers, our embarrassed apologies for the mix-up.

# Guest Editorial: Enormous Change in a Short Period of Time



Twenty years ago I graduated from law school in sunny California, passed my bar exam, got on a plane, and came to Eastern Europe as a bright-eyed young lawyer. What I thought would be a six-month sojourn turned into over a decade of living in the region and considerably more time working throughout it.

The legal environment in Central & Eastern Europe was incredibly different back then.

At the time, there were only a handful of international law firms present in the region, most based in Prague. A few London-based law firms were flying in and out of the region on a deal-by-deal basis. Generally, it was an under-served and fast-growing legal market.

I was fortunate at the time to land a job in a law firm with some exceptional foreign attorneys, many of whom went on to make a significant, lasting impression on the region's legal landscape (leaders such as Jason Mogg, Todd Robinson, and Michael Schilling). They were smart enough to hire the best and brightest young talent that they could find in the region to join them.

Many others followed, and gradually the “big boys” started to show meaningful commitment to the region, as Linklaters, Clifford Chance, White & Case, CMS Cameron McKenna, Baker & McKenzie, Allen & Overy, etc., all set up offices. And with these firms came other movers and shak-

ers that meaningfully contributed to and shaped the region's legal landscape – leaders such as Nick Eastwell, Duncan Weston, Rob Irving, David Shasha, David Butts, Neil McGregor, Paul Stallebrass, Helen Rodwell, Alex Doughty, Andrew Kozlowski, Ian Baty, and John Fitzpatrick.

And thus began the start of a quiet – but significant – generational change in the professional legal services market in Central & Eastern Europe.

Most who successfully practice law in the region today – whether in private practice or as in-house counsel – are doing so at a level of sophistication that mirrors that of leading Western European financial centers. Most were part of, or the offshoot of, this generational change: a unique moment in the region's history.

I very much remember the unsaid rule at the time – a rule that would probably be fraught with discrimination lawsuits today, but which was arguably sound advice at the time: “never hire anyone over thirty years of age.” At that important transitional point, law firms did not want lawyers with the bad habits of the old guard. And for the first time in history, new law school graduates from the region had an abundance of employment opportunities from a cadre of international law firms and multinational companies.

“Experience” was less important among prospective recruits than “intelligence.” The laws were changing daily, and no one was an “expert” or “experienced” in the application of new legislation. What was instead highly sought were young, bright attorneys who could learn new laws and develop their skills to the best of international standards.

We were all on the front lines then. New laws, first time transactions, new regulators: everyone was cutting their teeth as they went. I recall as a young 27-year-old lawyer advising on what was touted at the time as the “largest private equity transaction in Central & Eastern Europe.” Everyone on the deal was so proud; it was a hallmark moment. Being only USD 90 million spread among a club of six PE funds, it now looks

like chump change when compared to the scale and sophistication of the M&A transactions and financings that are regularly conducted in the region.

But that deal is indicative of how much has changed in a relatively short period of time.

Today the region boasts some incredibly impressive legal and managerial talent: individuals who have been trained by market-leading international law firm, or who climbed the ladder within elite multinational companies and were part of this “new generation” of lawyers.

Most, if not all, of today's leaders in top legal positions in CEE are products of this historical generational change in the legal services landscape – innovators, and first-timers – young professionals who were thrust into positions of great responsibility early in their careers.

Having returned to the USA and worked with law firms that don't feel attorneys have hit their greatest strides until their mid 40's or 50's, I find the contrasts stark. In CEE we have a generation of lawyers who are leaders in their respective markets/fields, are comparatively young, and have come onto the scene only during the past one or two decades.

When I think about the foundation on which CEE Legal Matters is founded, I can't help but think about where today's legal profession in Central & Eastern Europe has its roots and how far it has come. It was a unique time of professional/generational change that will not be replicated anywhere or anytime soon but certainly has had a lasting, positive impact on the many practitioners active in the region today.

Today's bright-eyed young lawyers coming into Central & Eastern Europe have an abundance of opportunity within a sophisticated, developed, and diverse private-practice and in-house marketplace – a testament to those who were part of the generational change experienced during the past two decades.

*Ted Cominos, Partner,  
Faegre Baker Daniels*



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# Legal Ticker: Summary of Deals and Cases

Full information available at: [www.ceelegalmatters.com](http://www.ceelegalmatters.com)

Period Covered: February 16, 2015 - April 12, 2016

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
18-Feb	Baker & McKenzie DLA Piper Doralt Seist Csoklich	DLA Piper Weiss-Tessbach advised Wiener Privatbank on the acquisition of the Austrian business of the private bank Valartis. Doralt Seist Csoklich advised Valartis, and the bank's shareholders were advised by Baker & McKenzie Diwok Hermann Petsche.	N/A	Austria
26-Feb	Freimuller/Obereder/Pilz Schoenherr	Schoenherr advised the REWE International Group on securing clearance for the acquisition of 25 former Zielpunkt branches across Vienna and Lower Austria. The seller, Zielpunkt, was represented by Freimuller/Obereder/Pilz.	N/A	Austria
7-Mar	Herbst Kinsky Leder & Schuh Luther Law Firm P+P Pollath	Herbst Kinsky advised Graz-based Leder & Schuh AG on the sale of its Shoe4You and Jello stores in Germany to Kienast Holding GmbH & Co. Leder & Schuh was advised on German matters by P+P Pollath, and Kienast was advised by the Luther Law Firm in Hannover.	N/A	Austria
11-Mar	Cerha Hempel Spiegelfeld Hlawati	CHSH successfully represented the Austrian SPAR group and Allianz in European merger control proceedings related to Spar's sale of a 49.5% share in the Fischapark shopping center to Allianz Real Estate Germany GmbH.	N/A	Austria
7-Apr	Baker & McKenzie CMS Schoenherr	Baker & McKenzie advised BETHA Zwerenz & Krause and APM Holding on their acquisition of the Vienna Hilton Complex from Raiffeisen Zentralbank Österreich AG. Schoenherr advised Raiffeisen Zentralbank Österreich and CMS advised ongoing leaseholder Hilton.	EUR 200 million	Austria
11-Apr	Lansky Ganzger & Partner	Lansky Ganzger & Partner advised Gebrüder Weiss on the acquisition of two Almaty-based subsidiaries of the German shipping company Brockmüller.	N/A	Austria
12-Apr	CHSH Cerha Hempel Spiegel- feld Hlawati Galea Salomone & Associates Norton Rose Fulbright	CHSH Cerha Hempel Spiegelfeld Hlawati advised Flughafen Wien AG on the acquisition of SNC-Lavalin Group Inc.'s indirect stake in Malta International Airport plc. SNC-Lavalin was advised by Norton Rose Fulbright Canada as Canadian legal counsel and Galea Salomone & Associates as Maltese legal counsel.	N/A	Austria
13-Apr	Allen & Overy Binder Groesswang	Allen & Overy advised Bilfinger on the sale of the Bilfinger MCE Group to Habau. Binder Groesswang advised Bilfinger on Austrian law matters.	N/A	Austria
15-Apr	Binder Groesswang Willkie Farr & Gallagher	Binder Groesswang and Willkie Farr & Gallagher LLP (Frankfurt) advised Ardian (formerly AXA Private Equity) on the acquisition of Gantner Holding GmbH from the Idetec Group.	N/A	Austria
19-Feb	Wolf Theiss	Wolf Theiss offices in Austria, Bulgaria, Croatia, Poland, Romania, Serbia, Slovakia, and Ukraine advised on a spin-off of the traditional lamp business from OSRAM, a leading light manufacturer, into a new division called LEDVANCE.	N/A	Austria Bulgaria Croatia Poland Russia Serbia Slovakia Ukraine
22-Feb	Baker & McKenzie Davis Polk & Wardwell Karanovic & Nikolic Miro Senica and Attorneys	Miro Senica and Attorneys advised ACH, d.d. on its successful overall debt refinancing. Davis Polk & Wardwell LLP from London advised ACH on English law issues. Lead advisor to VTB bank on the deal was reportedly Baker & McKenzie Moscow, with a team cooperating with Karanovic & Nikolic in Ljubljana acting as local counsel to VTB bank.	EUR 73.5 million	Austria Russia Slovenia
12-Apr	KSW Kunz Schima Wallentin Rojs, Peljhan, Prelesnik & Partners Taylor Wessing	Taylor Wessing Vienna advised the UK-based Walstead Group on the acquisition of Austria's LEYKAM Let's Print Holding AG. Rojs, Peljhan, Prelesnik & Partners worked alongside Taylor Wessing, advising on matters of Slovenian law. KSW Kunz Schima Wallentin advised the shareholders of LEYKAM Let's Print Holding on the transaction.	N/A	Austria Slovenia
22-Feb	Aleinikov & Partners	Aleinikov & Partners reported that the Chamber for Commercial Disputes of the Supreme Court of the Republic of Belarus upheld decisions of first and appeals instances dismissing the claim of unjust gains to the operator of firm client DEALBY.	N/A	Belarus
25-Feb	Aleinikov & Partners	Aleinikov & Partners became the legal advisor on tax issues to the Virtus.pro cybersport club.	N/A	Belarus
29-Feb	Aleinikov & Partners	Aleinikov & Partners advised MTBank on its acquisition of the CBS platform from British company Colvir Software Solutions.	N/A	Belarus
28-Mar	Fenwick & West Revera Sorainen	Sorainen's Belarus office advised Facebook, Inc. on its acquisition of Masquerade Technologies, Inc. Primary adviser to Facebook was Fenwick & West LLP while Belarus's Revera advised MSQRD.	N/A	Belarus
4-Apr	Sorainen	Sorainen office assisted the RE/MAX real estate company on the expansion of its real estate franchise to Belarus.	N/A	Belarus
14-Mar	Aleinikov & Partners AstapovLawyers	Aleinikov & Partners and the Kyiv office of AstapovLawyers advised Sports.ru on its acquisition of 90live.org – a Belarusian developer of mobile applications for football fans.	N/A	Belarus Ukraine
17-Feb	Dimitrov, Petrov & Co.	Dimitrov, Petrov & Co. became the legal counsel of the Bulgarian National Bank.	N/A	Bulgaria
29-Feb	CMS	The Sofia office of CMS supported oil and gas company Shell on its successful bid and entrance into a prospecting and exploration agreement for the deep offshore exploration block Silistar in the Bulgarian Black Sea.	EUR 25 million	Bulgaria
9-Mar	Dimitrov, Petrov & Co.	Dimitrov, Petrov & Co., acting on behalf of the "Idein-FPI-Fiesta" consortium, successfully persuaded a panel of the Second Division of the Supreme Administrative Court in Bulgaria to revoke what the firm describes as "the drastic increase in fees collected for appealing of public procurements," as unlawful.	N/A	Bulgaria

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
23-Mar	CMS Djingov, Gouginski, Kyutchukov & Velichkov	The Sofia office of CMS assisted ReneSola with the successful sale of its operational portfolio of 9.7 MWp photovoltaic power plants in Bulgaria to Solar World Aquiris S.A.R.L. Djingov, Gouginski, Kyutchukov & Velichkov advised Solar World Aquiris S.A.R.L. on the deal.	N/A	Bulgaria
13-Apr	Dimitrov, Petrov & Co.	Dimitrov, Petrov & Co. persuaded the Sofia Court of Appeal that a claim made against client Dimitar Angelov under a promissory note with a value of EUR 600,000 should be dismissed, and, in a separate matter, persuaded the Sofia City Court and Sofia Regional Court that a penalty imposed on client Nikolina Antonova by a real estate agency for buying real estate that was presented to her by another agency was invalid.	N/A	Bulgaria
15-Apr	Dimitrov, Petrov & Co.	Dimitrov, Petrov & Co. announced that it successfully defended the The Prof. Ivan Mitev Specialized Pediatric Hospital for Active Treatment EAD in a medical malpractice lawsuit.	N/A	Bulgaria
18-Feb	Hogan Lovells Salomons Schoenherr	Hogan Lovells and Schoenherr advised Ingram Micro on its acquisition of the Central and Eastern Europe division of Value Added Distributors RRC Group – which was advised by Salomons.	N/A	Croatia Czech Republic Romania Serbia Slovenia
19-Feb	Hruby & Buchvaldek	Hruby & Buchvaldek is advising the Sebre real estate development company during the preparation of its new Medport project in Prague.	N/A	Czech Republic
19-Feb	Kocian Solc Balastik	Kocian Solc Balastik reported that the Czech Constitutional Court issued a decision on the Dawn Raid performed on Delta Pekarny by the staff of the Office for Protection of Competition.	N/A	Czech Republic
7-Mar	Clifford Chance	Clifford Chance advised Wikov Industry a.s., a Czech mechanical engineering company owned by Martin Wichterle, on the purchase of the Detail CZ group of companies.	N/A	Czech Republic
9-Mar	Allen & Overy Clifford Chance	The Clifford Chance Prague Corporate team advised ASSA ABLOY on the successful conclusion of an agreement for the sale of its global car lock business to Alpha Corporation. Allen & Overy represented Alpha on the deal.	N/A	Czech Republic
15-Mar	Squire Patton Boggs Wolf Theiss	Squire Patton Boggs advised the MCI.TechVentures Fund on the sale of 100% shares in Invia/Travelpanet to Rockaway. The buyer was assisted by Wolf Theiss.	EUR 56 million	Czech Republic
17-Mar	DLA Piper Randa Havel Legal	Randa Havel Legal advised Jan Galgonek on his consolidation of ownership in and subsequent sale of the Adexpres Group to the Dentsu Aegis Network. DLA Piper advised Dentsu Aegis on the sale.	N/A	Czech Republic
21-Mar	Havel, Holasek & Partners Schoenherr	Schoenherr Prague advised EVO Payments International on the creation of a payment card acceptance alliance with Raiffeisenbank in the Czech Republic. Havel, Holasek & Partners advised Raiffeisenbank on the matter.	N/A	Czech Republic
9-Mar	Noerr	Noerr advised Allianz Real Estate on the establishment of a 50:50 joint venture with the real estate developer VGP, "to bundle the assets of projects developed by VGP in Germany, the Czech Republic, Slovakia and Hungary."	EUR 500 million	Czech Republic Hungary Slovakia
22-Feb	Cobalt Sorainen Tark Grunte Sutkiene	Sorainen's Estonia office advised Livonia Partners on the acquisition of a majority stake in Ha Serv, a leading manufacturer of wooden sauna components, ready-made saunas, and thermal wood products, from A&K Holding OU. Tark Grunte Sutkiene advised A&K Holding, and Cobalt advised the Ha Serv management team, which retains a significant minority share of the company after the deal.	N/A	Estonia
25-Feb	Ellex (Raidla) Sorainen	Sorainen advised Fortum on the sale of its 51.4% shareholding in the Eesti Gaas company to Trilini Energy. The buyer was advised by Raidla Ellex.	N/A	Estonia
9-Mar	Tark Grunte Sukiene	Tark Grunte Sukiene successfully represented GFC Good Finance Company AS before the Estonian Financial Supervision Authority in proceedings for approval of its provision of cross-border payment services in the Polish Republic.	N/A	Estonia
10-Mar	Hedman Partners	Hedman Partners assisted Swiss Property Group AG in its acquisition of a majority shareholding in Polorex Interior.	N/A	Estonia
11-Mar	Hedman Partners	Hedman Partners advised New York-based CartoDB on its acquisition of Nutiteq, an Estonia-based mobile mapping software development company.	N/A	Estonia
15-Mar	Glimstedt Primus	Glimstedt advised Unitcom on its acquisition of Uptime Systems. Estonia's Primus law firm advised the sellers, Uptime OU, on the deal.	N/A	Estonia
21-Mar	Rask	Rask signed a formal agreement to advise the Estonian National Culture Foundation on a pro bono basis with various contracts and other matters including sub-funds, scholarships, and tax law.	N/A	Estonia
31-Mar	Fort	Fort's Tallinn office advised Digital Mind on the acquisition of a business unit from Nortalt.	N/A	Estonia
4-Apr	Fort Teder Law Firm	Fort's Tallinn office advised EfTEN Kinnisvarafond II in its EUR 24 million acquisition of Tallinn's Magistral shopping center from Citycon. The Teder Law Firm advised Citycon on the deal.	N/A	Estonia
11-Apr	Hedman Partners	Hedman Partners is supporting ClimateLaunchPad, which the firm describes as "the largest green-tech pitching competition finals in Europe," and which will be held this October in Tallinn.	N/A	Estonia
5-Apr	Sorainen	Sorainen is assisting Rexel in selling its activities in the Baltics to the Wurth Group.	N/A	Estonia Latvia
1-Apr	Cobalt	Cobalt advised Practica Venture Capital on its EUR 1.5 million investment in East West Agro.	EUR 6 million	Estonia Latvia
29-Mar	Cobalt Ellex (Raidla) Ellex (Valiuanas)	Raidla Ellex and Valiuanas Ellex advised Laurus Properties on its acquisition of the Baltic commercial real estate portfolio from Geneva Properties N.V. Geneva Properties was advised by Cobalt.	N/A	Estonia Lithuania
23-Feb	Cerha Hempel Spiegelfeld Hlawati	CHSH advised the Metrans Group on the acquisition of three significant industrial properties as well as a small Hungarian railway company in Csepel, in Hungary.	N/A	Hungary

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
14-Mar	Illes & Partners Jeantet	The Budapest office of Jeantet advised Accor Pannonia Hotels Zrt. on its acquisition of two hotels in Budapest. Illes & Partners advised the seller on the transaction.	EUR 27.5 million	Hungary
4-Apr	Allen & Overy Baker & McKenzie CMS	Allen & Overy advised the Riverside Company on its agreement to sell Budapest-based Diatron Group to STRATEC Biomedical AG of Germany. Baker & McKenzie advised Stratec on the transaction, while CMS advised UniCredit Bank on financing provided to the Diatron Group.	N/A	Hungary
4-Apr	CMS DLA Piper	DLA Piper advised HB Reavis on its sale of Vaci Corner Offices to a group of investors represented by Zeus Capital Management. CMS advised the buyer and Lakatos, Koves & Partners assisted UniCredit Bank in its financing of the deal.	N/A	Hungary
5-Apr	DLA Piper	DLA Piper's Hungarian office advised Magyar Nemzeti Bank, in its capacity as resolution authority, on the sale of MKB Bank Zrt. to a syndicate comprised of Blue Robin Investments S.C.A., METIS Private Capital Fund, and Pannonia Pension Fund.	HUF 37 billion	Hungary
23-Feb	CMS DLA Piper Simpson Thatcher	CMS advised Erste Group on a 5 year EUR 91 million facility to acquire 12 logistics assets in Romania, Hungary, Poland, and Slovakia for Blackstone – which was represented by Simpson Thatcher and DLA Piper.	EUR 91 million	Hungary Poland Romania Slovakia
18-Feb	Sorainen	Sorainen's Latvia office assisted Rigaburger, operator of the Hesburger restaurant chain in Latvia, on the acquisition and development of two land plots in Riga.	N/A	Latvia
25-Feb	Tria Robit	Tria Robit successfully represented the JSC Aldaris brewery in a dispute with JSC Cesu Alus over the “Bruza Legenda” trademark.	N/A	Latvia
26-Feb	Eversheds Kronbergs & Cukste	Eversheds Bitans represented Latvian Joint Stock Company Latvijas Krajbanka before the court in proceedings against Ernst & Young Baltic – represented by Kronbergs & Cukste – on matters concerning audits of Latvijas Krajbanka financial statements conducted by EY. The matter was settled out of court.	N/A	Latvia
16-Mar	Sorainen	Sorainen's Latvian office represented VMF Latvia in a dispute with an employee regarding termination of employment, suspension from work, and recovery of lost wages.	N/A	Latvia
29-Mar	Cobalt	Cobalt advised Nets Holding A/S on its acquisition of Nordea Merchant Acquiring from Nordea Bank AB (Sweden).	EUR 230 million	Latvia
6-Apr	Sorainen	Sorainen successfully represented the Bilzu Birojs concert organizer and promoter before Latvia's Vidzeme Urban District Court in a copyright dispute with the Copyright and Communication Consulting Agency/Latvian Authors Association (AKKA/LAA) involving a recording of a concert by Russian musician Boris Grebenshikov.	N/A	Latvia
12-Apr	Cobalt	Cobalt advised AMIC Energy Management GmbH on the acquisition of a 100% shareholding in SIA Lukoil Baltija R (now renamed SIA AMIC Latvia) from Lukoil Europe Holdings B.V.	N/A	Latvia
25-Feb	Sorainen	Sorainen Lithuania supported FinBee on structuring a funds handling procedure and in preparing the necessary documentation for the company to become a financial intermediary to Citadele Bank.	N/A	Lithuania
29-Feb	Fort	Fort represented Lithuanian publishers Alma littera, Baltu lanku leidyba, JOTEMA, Tyto alba, and Leidykla Vaga in their claim regarding copyright violations of the Internet portal visoknygos.com.	N/A	Lithuania
1-Mar	Tark Grunte Sukiene	Tark Grunte Sutkiene successfully represented the Ukio Bankas in a dispute against Renaissance Insignia Limited on matters related to the recovery of funds by way of non-bankruptcy procedures.	N/A	Lithuania
14-Mar	Tark Grunte Sukiene	Tark Grunte Sutkiene advised AB INVL Baltic Real Estate on the successful allocation of a share issue on the NASDAQ OMX Vilnius.	N/A	Lithuania
24-Mar	Tark Grunte Sukiene	Tark Grunte Sutkiene announced that its competition team obtained permission from competition and financial market authorities for Swedbank's 2015 acquisition of a part of Danske Bank's Latvian and Lithuanian retail banking businesses and part of its Lithuanian leasing business.	N/A	Lithuania
11-Apr	Cobalt Roedl	Cobalt's Vilnius office advised Geco Investicijos on the merger clearance procedure related to the acquisition by Danpower Baltic UAB – a joint venture owned by Geco Investicijos and Danpower GmbH – of Marivas UAB. Roedl advised Danpower GmbH on the merger clearance application.	N/A	Lithuania
13-Apr	Fort Sorainen	Fort's Vilnius office advised Capital Mill on its acquisition of the the Dobrovoles logistics center in Vilnius from UAB Dobrovoles Logistikos Centras II. Sorainen advised DLCL on the deal.	N/A	Lithuania
13-Apr	Cobalt	Cobalt's Lithuania office is assisting Viking Malt Oy in a merger clearance procedure and is acting for the company in court proceedings before the Vilnius Regional Administrative Court involving its appeal of a blocking decision by the Lithuanian Competition Council.	N/A	Lithuania
8-Apr	BDK Advokati	BDK Advokati advised Net Holding on management agreements to operate Montenegrin casinos Casino Montenegro (in Podgorica) and Casino Avala (in Budva).	N/A	Montenegro
17-Feb	Kochanski Zieba & Partners	Kochanski Zieba & Partners successfully defended a writer for Newsweek Poland against charges that he had defamed Browary Regionale Jakubiak in an article published in the magazine on September 29, 2014, and on the newsweek.pl. portal.	N/A	Poland
18-Feb	Clifford Chance FKA Furtek Komosa Aleksandrowicz	Clifford Chance advised Bank BGZ BNP Paribas S.A. and Bank Millennium S.A. on loan facilities totalling PLN 105 million provided to Kliniki Neuroradiocirurgii to finance the construction of an oncology hospital in Radom and refinance the existing debt of the Kliniki Neuroradiocirurgii group of companies. FKA Furtek Komosa Aleksandrowicz advised the Kliniki Neuroradiocirurgii and its main investor on the loan.	PLN 105 million	Poland
19-Feb	Andrzej Kancelaria Radcy Prawnego BSWW Legal & Tax	BSWW Legal & Tax represented Rank Progress on the sale of the Aviator shopping center under construction in Mielec, Poland, to France's E.Leclerc supermarket and hypermarket chain – which was advised by Andrzej Lulka Kancelaria Radcy Prawnego.	PLN 67 million	Poland



Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
19-Feb	Kochanski Zieba & Partners Pinsent Masons	Kochanski Zieba & Partners worked alongside Pinsent Masons in advising Work Service S.A., which is already listed on the Warsaw Stock Exchange, on its February 18 listing on the London Stock Exchange.	N/A	Poland
24-Feb	Drzewiecki Tomaszek Trape Konarski Podrecki	Drzewiecki Tomaszek was appointed by InPost Group, a Polish private postal operator, to represent it in opposition proceedings concerning invalidation of a trade mark against Poczta Polska (the Polish National Post). Trape Konarski Podrecki represented Poczta Polska on the matter.	N/A	Poland
24-Feb	Chajec, Don-Siemion & Zyto	Chajec, Don-Siemion & Zyto advised the Griffin Real Estate Group on its recent bond issue, part of a renewable program, of up to PLN 300 million.	PLN 300 million	Poland
25-Feb	BSWW Legal & Tax	BSWW Legal & Tax advised Kredyt Inkaso S.A. on the recent issue of series Z bonds with a face value of PLN 40 million.	PLN 40 million	Poland
25-Feb	Sadkowski & Partners	Sadkowski & Partners successfully represented 5 families owning houses neighbouring the Auchan shopping center in Piaseczno, Poland in a dispute with Auchan.	N/A	Poland
26-Feb	Gessel	Gessel secured a win for Gino Rossi S.A. in its claim against an unidentified producer of wrist-watches labelled "gino rossi" seeking "cessation of unfair competition acts and of violation of trademarks and rights to the business name."	N/A	Poland
29-Feb	Aval Consult Mrowiec Fialek and Partners	Mrowiec Fialek and Partners advised Wydawnictwa Szkolne i Pedagogiczne S.A. on its purchase of the multimedia educational package called "Kariera na Maksa." The seller, Progra, was advised by Aval Consult.	N/A	Poland
29-Feb	CMS Drzewiecki Tomaszek	Drzewiecki Tomaszek represented PZL Swidnik (the Polish subsidiary of Finmeccanica Helicopters) in a case related to the supply of 70 multi-functional helicopters for the Armed Forces of the Republic of Poland organized by the State Treasury – Armament Inspectorate. The State Treasury is represented by the State Treasury Solicitors' Office, while Airbus Helicopters – one of the parties involved in the case is represented by CMS.	EUR 3 billion	Poland
1-Mar	Dentons Linklaters	Dentons advised Valad Europe on its acquisition of the Warsaw Corporate Center from German investment manager MEAG, which was advised by Linklaters.	N/A	Poland
2-Mar	Cliffe Dekker Hofmeyr Kochanski Zieba & Partners Pinsent Masons Weil, Gotshal & Manges	Kochanski Zieba & Partners (acting as Polish counsel), Cliffe Dekker Hofmeyr (as South African Counsel), and Pinsent Masons (as UK counsel) advised Redefine Properties Limited on its acquisition of a majority stake in Echo Prime Properties B.V. The seller was advised by Weil, Gotshal & Manges.	EUR 1 billion	Poland
3-Mar	Gessel RKKW	Gessel represented SESCOM SA in an acquisition of a stake in CUBE.ITG, which was advised by RKKW.	N/A	Poland
3-Mar	BSWW Legal & Tax	BSWW Legal and Tax announced it is advising Ideal Idea Formad Sp. z o.o. sp. k. on the development of Ideal Idea Park IV in Warsaw, Poland.	N/A	Poland
9-Mar	Mrowiec Fialek and Partners	Mrowiec Fialek and Partners advised Arena.pl Sp. z o.o. on the implementation of a social networking ownership program.	N/A	Poland
9-Mar	Charles Russel Speechlys Heuking, Kuhn, Luer, Wojtek Noerr Stephenson Harwood	Noerr advised the shareholders of the malt producer Tivoli Malz, Hamburg, on the sale of its Global Malt division to England's Anglia Maltings Group – a long-term cooperation partner of Global Malt. Charles Russell Speechlys worked alongside Noerr and advised the sellers on matters of English law, while Stephenson Harwood (on matters of English law) and Heuking, Kuhn, Luer, Wojtek (on German law) advised the buyers.	N/A	Poland
10-Mar	BSWW Legal & Tax	BSWW Legal & Tax advised and represented Volvo Car Germany and AVS Automotiv VersicherungsService in proceedings before the President of the Office of Competition and Consumer Protection involving notification of a concentration following the formation of a joint venture.	N/A	Poland
11-Mar	Norton Rose Fulbright Weil, Gotshal & Manges	Norton Rose Fulbright advised Fortum Holding BV on the acquisition of a 93% stake in Grupa Duon SA. Weil, Gotshal & Manges represented the sellers on the deal.	EUR 100 million	Poland
11-Mar	Gessel Weil, Gotshal & Manges	Gessel advised Highlander Partners on the sale of 100% of the shares of Transfer Agent ProService to funds managed by Oaktree European Principal Group and Cornerstone Partners. Weil, Gotshal & Manges advised Oaktree and Cornerstone Partners.	N/A	Poland
16-Mar	Domanski Zakrzewski Palinka	DZP persuaded the Supreme Court of Poland to uphold a judgment by the Court of Appeal of Warsaw, bringing to an end a long-running case involving conflicting rulings by the Court of Arbitration at the Polish Chamber of Commerce in Warsaw in a dispute between client Taifun Real sp. z o.o. and Exatel SA. Taifun Real – an SPV which owns an office building in Poland that previously belonged to the Karimpol Group, and now belongs to the Immofinanz Group.	N/A	Poland
21-Mar	Chajec, Don-Siemion & Zyto SKS Soltysinski Kawecki & Szlezak	Chajec, Don-Siemion & Zyto advised the shareholders of Centrum Mobilnych Technologii Mobiltek S.A. (CMTM) on the sale of 100% of its shares and 100% of its shares in other group companies, including Eurokoncept Sp. z o.o. and Dotpay S.A. (whose sole shareholder is CMTM), to MCI Private Ventures Closed Investment Fund. SKS Soltysinski Kawecki & Szlezak advised MCI on the deal.	N/A	Poland
22-Mar	SSW Spaczynski, Szczepaniak and Partners	SSW Spaczynski, Szczepaniak and Partners advised Famur SA on a March 18, 2016 bond issue on the Catalyst bond market of the Warsaw Stock Exchange.	N/A	Poland
22-Mar	Lawmore L.E. Lukasz Stanek Law Office SSW Spaczynski Szczepaniak i Wspolnicy	Lawmore represented Stefan Bator, the founder of iTaxi, in iTaxi's acquisition of PLN 8 million in investment from Exporior Venture Fund and existing investors, including Dirlango and Lech Kaniuk. The Exporior Venture Fund was represented by the L.E. Lukasz Stanek Law Office, and Dirlango and Lech Kaniuk were represented by SSW Spaczynski Szczepaniak i Wspolnicy.	PLN 8 million	Poland
5-Apr	Dentons	Dentons represented Medtronic in appeal proceedings before Poland's National Chamber of Appeal in connection with a tender for purchase and successive delivery of equipment for angiographic scanning to the Central Clinical Hospital of the Ministry of Internal Affairs in Warsaw.	N/A	Poland

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
5-Apr	Wierzbowski Eversheds	Wierzbowski Eversheds advised the Centerscape group on the acquisition of a commercial real estate portfolio with properties located in Chorzow, Prudnik, Rawa Mazowiecka, and Trzcianka, Poland.	N/A	Poland
6-Apr	Lesnodorski Slusarek I Wspolnicy	Lesnodorski Slusarek i Wspolnicy represented Peter Marusarz in a dispute with his sisters in the District Court of Zakopane over souvenirs of both parties' father, Stanislaw Marusarz.	N/A	Poland
6-Apr	Greenberg Traurig Weil Gotshal & Manges	Greenberg Traurig advised Alior Bank on its agreement to acquire Bank BPH's core business from affiliates of GE Capital. Weil advised GE Capital on the sale.	N/A	Poland
12-Apr	Brandford Griffith DMS DeBenedetti Majewski Gide Loyrette Nouel	Gide advised the Eolfi group on the sale of a wind farm portfolio to Quadran. Quadran was advised by France's Brandford Griffith law firm, with support in Poland from DMS DeBenedetti Majewski Szczesniak.	N/A	Poland
14-Apr	Dentons Hogan Lovells	The Warsaw office of Hogan Lovells advised Union Investment Real Estate GmbH on its acquisition of the Ferio Konin shopping center in Poland from Rockspring Property Investment Managers. Dentons was legal advisor to Rockspring on the deal.	N/A	Poland
15-Apr	Spaczynski, Szczepaniak and Associates	Spaczynski, Szczepaniak and Associates advised Dirlango Trading & Investments Limited in a joint-venture with the Innova Capital private equity fund that will invest in Netsprint SA and LeadR.	N/A	Poland
18-Mar	Clifford Chance Fieldfisher Stratulat Albulescu Attorneys at Law	Stratulat Albulescu Attorneys at Law and Fieldfisher advised the German group Wirecard on its acquisition of Provus – Romania's leading payment processing and technological service provider – from Innova Capital. Clifford Chance advised Innova Capital on the acquisition, which also involved the acquisition of Romcard and Supercard Solutions & Services, the two Romanian subsidiaries of Provus.	EUR 32 million	Poland Romania
9-Mar	Avellum Baker & McKenzie Domanski Zakrzewski Palinka Integrites Marszalek & Partners	Ukrainian firms Avellum and Integrites and the Polish offices of Baker & McKenzie and DZP advised Farmak, a leading Ukrainian pharmaceutical company, on its February 3, 2016 acquisition of KWW Kotkowski Wierzbicki Wegrzyn. Marszalek & Partners advised the sellers on the deal.	N/A	Poland Ukraine
23-Feb	Biris Goran	Biris Goran announced "the successful closure of a new stage" in the lawsuit between Farmec SA and Romania's National Agency for Fiscal Administration (ANAF), obtaining an annulment of the ANAF's "taxation decision," which amounted to approximately EUR 13 million.	EUR 13 million	Romania
24-Feb	Borza & Asociatii Schoenherr Tuca Zbarcea & Asociatii	Borza & Asociatii successfully represented energy company Hidroelectrica in its dispute with energy trader Alpiq and aluminium producer Alro, with the later two seeking damages resulting from not being registered in the preliminary table once the energy company went into insolvency. Schoenherr represented Alpiq and Tuca Zbarcea & Asociatii represented Alro on the matter.	EUR 146 million	Romania
26-Feb	CMS Freshfields PeliFilip	Freshfields and PeliFilip advised the Veranda Shopping Center in securing a EUR 25.5 million financing from Raiffeisen Bank and Raiffeisen Bank International. CMS advised on the lender side.	EUR 25.5 million	Romania
1-Mar	Drakopoulos	Drakopoulos' IP team in Romania successfully represented Christian Lacroix in defending against the dismissal of its registered trademark.	N/A	Romania
7-Mar	BPV Grigorescu Stefanica Gibson Dunn Simpson Thacher Bartlett	BPV Grigorescu Stefanica, acting alongside global counsel Gibson Dunn, provided advice on Romanian elements of Ningbo Joyson Electronic Corporation's acquisition of Key Safety Systems from Hong Kong-based private equity firm FountainVest Partners – which received international law advice by Simpson Thacher Bartlett.	USD 920 million	Romania
11-Mar	Allen & Overy (RTPR)	RTPR Allen & Overy provided legal assistance to a syndicate of banks made up of Banca Comerciala Romana (as coordinator), BRD-Groupe Societe Generale, ING Bank N.V. Amsterdam – Bucharest Branch, and Raiffeisen Bank in relation to a credit facility in amount of up to EUR 56 million granted to Med Life and other group entities.	EUR 56 million	Romania
17-Mar	Biris Goran CMS	Biris Goran advised Adamerica on its acquisition of Phoenix Tower, a 10,000 square meter office tower located on Calea Vitan in Bucharest, from the building's majority owner, Commerzbank AG. CMS advised Commerzbank on the deal.	N/A	Romania
21-Mar	PeliFilip Allen & Overy (RTPR Allen & Overy)	RTPR Allen & Overy advised the Regina Maria healthcare network on the lease of space for a new private hospital to be built in Cluj-Napoca, in Romania. PeliFilip advised Horia Ciorcila, the developer on the deal.	N/A	Romania
22-Mar	Allen & Overy (RTPR Allen & Overy)	RTPR Allen & Overy successfully persuaded the Romanian Competition Council to reduce the fine it imposed on Aegon Societate de Administrare a unui Fond de Pensii Administrat Privat S.A. by over 80%.	N/A	Romania
28-Mar	PwC Allen & Overy (RTPR Allen & Overy)	RTPR Allen & Overy advised Romania's Regina Maria healthcare network on the acquisition of the Ponderas Hospital in Bucharest. D&B David si Baias – the Romanian firm associated with PwC – advised the selling doctors who founded the hospital: Catalin Copaesu, Alina Ambrozie, Daniela Godoroja, Mihai Godoroja, and Ana Maria Pascu.	N/A	Romania
28-Mar	Ijdelea Stratulat Albulescu	Stratulat Albulescu assisted World Class Romania S.A., in its acquisition of Club Sport Fitness Center MV S.R.L. The Ijdelea law firm advised the seller – private entrepreneur Richard Pierre Thomas – on the acquisition.	N/A	Romania
31-Mar	Voicu & Filipescu Wolf Theiss	Wolf Theiss advised International Insurance Consortium on its acquisition of Romanian general insurer Carpatica Asig, which is undergoing a financial recovery procedure. The sellers – whose identity was not disclosed – were reportedly advised by Voicu & Filipescu.	N/A	Romania
31-Mar	Musat & Asociatii	Musat & Asociatii represented the Financial Supervisory Authority of Romania in a dispute with Rst Media.	RON 1 million	Romania
1-Apr	Nestor Nestor Diculescu Kingston Petersen Popovici Nitu & Asociatii	Popovici Nitu Stoica & Asociatii advised Chimpex on the signing of a loan agreement with BCR. The bank was assisted by Nestor Nestor Diculescu Kingston Petersen on the deal.	EUR 27 million	Romania

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
4-Apr	Reff & Associates Voicu & Filipescu	Voicu & Filipescu advised Bel Rom Twelve on the sale of 12 of the 22.5 hectares of land it owns in Ramnicu Valcea, Romania, to the South-African investment fund New Europe Property Investments. Reff & Associates – a member of Deloitte Legal – advised NEPI on the deal.	N/A	Romania
4-Apr	Schoenherr Tuca Zbarcea & Asociatii	Tuca Zbarcea & Asociatii advised the international media group Ringier on its majority stake acquisition of Imobiliare.ro. The sellers were assisted by Schoenherr on the deal.	N/A	Romania
5-Apr	BPV Grigorescu Stefanica Dechert Gibson Dunn Hennerkes Kirch & Lorz	BPV Grigorescu Stefanica advised Riverbed Technology on Romanian law matters related to the acquisition of the German company Ocedo, which has offices in Romania. Gibson Dunn advised Riverbed globally while Ocedo was assisted by Hennerkes Kirch & Lorz on German matters and by Dechert on US aspects of the deal.	N/A	Romania
7-Apr	DLA Piper Ionescu si Sava Allen & Overy (RTPR Allen & Overy)	RTPR Allen & Overy advised private equity funds managed by 3TS Capital Partners on investments by its Catalyst Romania fund in Intelligent IT and Marketizator and by its Technology in Central and Eastern Europe fund in Internet Corp. Marketizator Friends was advised on its investment by Ionescu si Sava, and Intelligent IT was advised on its by DLA Piper Dinu.	N/A	Romania
14-Apr	Allen & Overy (RTPR Allen & Overy)	RTPR Allen & Overy successfully represented Tymbark Maspex in a challenge of a fine levied by the Romanian Competition Authority against food retailers Metro, Selgros, Real, and Mega Image, and 20 of their suppliers for alleged anticompetitive vertical agreements related to promotional sales.	EUR 35 million	Romania
15-Apr	Allen & Overy (RTPR Allen & Overy) Deloitte Legal (Reff & Asociatii)	RTPR Allen & Overy advised Enterprise Investors on its acquisition of the Noriel group from the Constantinescu family and Balkan Accession Fund, a PE fund advised by Axxess Capital. Reff & Asociatii – the Romanian member of Deloitte Legal – advised the Constantinescus on the transaction.	N/A	Romania
19-Feb	Allen & Overy Sulija Partners	Sulija Partners advised AviaAM Leasing on the acquisition of four Airbus A319 aircraft. Of the four, three were leased to the Far East Russian airline Aurora, whilst the fourth is “on its way” to an unidentified customer. Aurora relied on its in-house team on the matter but used a formal legal opinion prepared by Allen & Overy in Moscow.	USD 40 million	Russia
22-Feb	YUST	Russia's YUST law firm successfully persuaded the Court of Arbitration of the Moscow District to uphold previous judgments of the courts of first and second instance, which had dismissed the claim brought by JSC GUOV against YUST client KapInstroy, in which GUOV alleged that KapInstroy's lease to a land plot from the local administration was null and void.	N/A	Russia
1-Mar	Dentons White & Case	Dentons advised Fortum OJSC in relation to its sale of a 100% interest in its subsidiary Tobolsk CHP to SIBUR Holding, which was assisted by White & Case on the deal.	N/A	Russia
9-Mar	FBK Legal	FBK Financial Advisory and FBK Legal announced that they will audit the 2015 financial and business operations of the ANO Sports Broadcasting Studio to provide a “comprehensive evaluation of the organization's activities ... to assess internal controls in place and to elaborate guidelines on management efficiency improvement [that is] critical at a time of transition.”	N/A	Russia
11-Mar	Goltsblat BLP	Goltsblat BLP advised the Federal Agency for State Property Management on shareholders' agreements relating to shares in Sheremetyevo International Airport and JSC Vnukovo International Airport JSC.	N/A	Russia
14-Mar	YUST	The Yust law firm successfully defended the interests of NPP Respirator OJSC in a tender dispute brought by SITEK LLC.	N/A	Russia
14-Mar	Cassels Brock Hogan Lovells	Hogan Lovells assisted Polymetal International Plc, a major LSE-listed gold-mining group operating in Russia and Kazakhstan, on signing a binding agreement for acquisition of the Kapan mine in Armenia from TSX-listed Canadian international gold mining group Dundee Precious Metals Inc. The Toronto office of Cassels Brock advised DPM on the transaction.	USD 25 million	Russia
22-Mar	Jus Aureum	Jus Aureum announced that the Supreme Court of the Russian Federation has ruled in favor of firm client Novaya Tabachnaya Kompaniya LLC in a dispute over whether interest paid on controlled debt is convertible into dividends where a Russian company is the lender.	N/A	Russia
28-Mar	Linklaters	Linklaters advised Rosneft (acting via its wholly-owned subsidiary RN-Razvedka i Dobyicha) on its signature of a binding agreement to sell its 29.9% participatory share in its Taas-Yuryakh Neftgasodobycha subsidiary to a consortium of three Indian companies: Oil India, Indian Oil and Bharat Petroresources.	N/A	Russia
31-Mar	Pepeliaev Group	The Pepeliaev Group, acting on behalf of Shell, filed a claim with the Russian Constitutional Court challenging article 110(2) of the Russian Commercial Procedure Code, which – the Pepeliaev Group claims – “does not allow a reasonable amount of court costs to be determined objectively.”	N/A	Russia
4-Apr	Egorov Puginsky Afanasiev & Partners	Egorov Puginsky Afanasiev & Partners successfully defended the interests of Ecosoyuz LLC in the Chamber on Economic Disputes of the Russian Supreme Court in a dispute over a contract of vessel chartering.	N/A	Russia
6-Apr	Skadden Arps White & Case	White & Case advised Yandex on its acquisition of a newly created entity from Krasnaya Roza 1875 Limited that will own the central Moscow office complex that houses the group's Russian headquarters. Skadden Arps reportedly advised Krasnaya Roza 1875 on the deal.	USD 490 million	Russia
13-Apr	Vegas Lex	Vegas Lex announced that, acting on behalf of the Moscow Transport Hub Directorate autonomous nonprofit organization, participated in an April 7, 2016 “pre-roadshow” in Moscow involving a proposed a light rail high-speed off-street transportation system in the Moscow Region.	N/A	Russia
14-Apr	Clifford Chance Dentons	Dentons advised Expobank on the successful acquisition of CJSC The Royal Bank of Scotland in Russia from the Royal Bank of Scotland group. Clifford Chance advised the Royal Bank of Scotland on the deal.	N/A	Russia
17-Feb	JPM Jankovic Popovic Mitic	JPM Jankovic Popovic Mitic advised MetLife Serbia on its liquidation.	N/A	Serbia
29-Feb	Karanovic & Nikolic	Karanovic & Nikolic advised KELER CCP on its successful implementation of a clearing arrangement, in co-operation with OTP Bank Serbia and SEEPEX – the first organized electricity market in Serbia.	N/A	Serbia



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1-Mar	Wolf Theiss	Wolf Theiss advised Hutchinson SA on the construction of a factory in Serbia and the commencement of activities in the country.	N/A	Serbia
9-Mar	Cassels Brock Davis Polk Samardzic, Oreski & Grbovic	Samardzic, Oreski & Grbovic advised Lundin Mining Corporation in connection with its USD 262.5 million purchase of Freeport-McMoRan's shares in the Timok project in Eastern Serbia. Cassels Brock was global counsel to Lundin, and Davis Polk advised Freeport-McMoRan on the deal.	USD 262.5 million	Serbia
9-Mar	Karanovic & Nikolic	Karanovic & Nikolic reported that the Bosnian Competition Council made a ruling in favor of cable operator (and firm client) Telemach in its case against HD Win, the owner of the Arena Sport sports channel and a subsidiary of Telekom Serbia.	N/A	Serbia
16-Mar	Zivkovic Samardzic	Zivkovic Samardzic advised South Central Ventures on its acquisition of a 12.8% stake in drytools, a startup based in Novi Sad, Serbia.	EUR 300,000	Serbia
4-Apr	AVS Law Office	AVS Law Office advised on the recently built "Mixing Building" plant of Tigar Tyres doo – a Serbian subsidiary of the Michelin Group.	EUR 40 million	Serbia
6-Apr	Zivkovic Samardzic	Zivkovic Samardzic successfully represented Serbian investigative journalist Brankica Stankovic, broadcaster B92, and the B92 news and current affairs editor and Board of Directors Chair Veran Matic against a defamation claim brought by Uros Avramovic, a leader of the Red Star Belgrade football team fan club.	N/A	Serbia
15-Apr	Jankovic Popovic Mitic	Jankovic Popovic Mitic advised IKEA on matters related to the commencement of construction on IKEA's Belgrade department store – its first in Serbia.	N/A	Serbia
18-Mar	Squire Patton Boggs	Squire Patton Boggs obtained a victory for alcoholic spirits company Frucona Kosice in the EU General Court in a case in which the European Commission had previously found a tax debt write-off to be incompatible with EU state-aid rules.	N/A	Slovakia
16-Mar	Schoenherr	Schoenherr Ljubljana advised web-based crowdinvesting platform operator CONDA AG on its successful roll-out of the first-ever Internet crowdinvesting platform in Slovenia.	N/A	Slovenia
21-Mar	Karanovic & Nikolic Schoenherr	Partner Marko Ketler and Attorney Jaka Simoncic, both working in cooperation with Karanovic & Nikolic, successfully advised the Republic of Slovenia, Slovenian Sovereign Holding, and the Bank Assets Management Company on their sale of shares in Adria Airways to AA International Aviation Holding GmbH (a subsidiary of the Luxembourg-based investment fund 4K Invest).	N/A	Slovenia
23-Feb	Erdem & Erdem	Erdem & Erdem advised Yilport Holding Group, an affiliate of Turkey's Yildirim Holding, on its February 19, 2016 acquisition of all shares of Mota-Engil Logistica and Tertir Terminais de Portugal.	N/A	Turkey
25-Feb	Baker & McKenzie (Esin Attorney Partnership) Dentons (BASEAK)	The Esin Attorney Partnership – a member firm of Baker & McKenzie International – advised Petgas on the transfer of its bottled liquefied petroleum gas and autogas businesses to Ipragaz. Ipragaz was advised by BASEAK – the Turkish arm of Dentons.	N/A	Turkey
26-Feb	ErsoyBilgehan Paksoy	ErsoyBilgehan advised ERGO Grubu Holding A.S. on its sale of 100% shares in ERGO Portfoy Yonetimi AS to QInvest LLC, represented by Paksoy.	N/A	Turkey
2-Mar	Aksu Savas Caliskan Attorney Partnership Dentons (BASEAK)	BASEAK – the Turkish arm of Dentons – advised Crescent Capital on its acquisition of Akocak HEPP from Akenerji, which was assisted by Aksu Savas Caliskan Attorney Partnership.	N/A	Turkey
7-Mar	Dimitrov, Petrov & Co.	Dimitrov, Petrov & Co. advised Trakya Glass Bulgaria EAD, the Bulgarian subsidiary of Turkey's Sisecam Group, on the restructuring of its Bulgarian business.	N/A	Turkey
7-Mar	Moral Law Firm	Turkey's Moral Law Firm advised DGD Engineering – a subcontractor of AKFEN Real Estate Investment Trust – in its provision of turn-key construction services in the Novotel Karakoy city hotel project.	N/A	Turkey
16-Mar	Allen & Overy White & Case	White & Case advised Yapi Kredi, Turkey's fourth largest private bank, on the Rule 144A/Regulation S issue of USD 500 million, 8.5% Basel III-compliant fixed rate resettable Tier 2 Notes due 2026. Allen & Overy advised Joint Lead Managers Bank of America Merrill Lynch, Citigroup, Mitsubishi UFJ, and Unicredit.	USD 500 million	Turkey
16-Mar	Dentons (BASEAK) Herbert Smith Freehills Yazici Legal	BASEAK – the Turkish arm of Dentons – advised the Vardar family on its sale of minority interests in Jolly Tur and Gordion Teknoloji to the Goldman Sachs Group. The buyer was advised by Yazici Legal (on Turkish law) and Herbert Smith Freehills (on English law).	N/A	Turkey
23-Mar	Bumin & Varlik Turunc	Turunc represented Eigenmann & Veronelli S.p.A (E&V) in its acquisition of the shares held by its joint venture partners in E&V's Turkish affiliate, Eigenmann & Veronelli Kimyasal Ticaret ve Sanayi A.S. The sellers – Ipek Mustecaplioglu, Ismet Mustecaplioglu, and Reis Pazarlama ve Ticaret Limited Sirketi – were represented by Bumin & Varlik.	N/A	Turkey
24-Mar	Paksoy	Paksoy advised Georg Fischer Ltd on its acquisition of sole control over Georg Fischer Hakan Plastik Boru ve Profil San. Tic. A.S. via the purchase of shares left outstanding in its earlier acquisition of a majority stake in 2013.	N/A	Turkey
8-Apr	Kim & Chang Kirkland & Ellis Paksoy Verdi	Paksoy – working with the Kim & Chang law firm in South Korea – advised South Korea's CJ CGV Co. multiplex chain on its acquisition of the Mars Entertainment Group from Actera, Esas Holding, and minority shareholders. Verdi (on Turkish law matters) and Kirkland & Ellis (on English law matters) advised the sellers on the transaction.	N/A	Turkey
18-Feb	Doubinsky & Osharova	Doubinsky & Osharova successfully convinced the Board of Appeals of the State Intellectual Property Service of Ukraine to formally recognize the "Coca-Cola" verbal trademark as well-known in Ukraine as of December 31, 2008 for goods of class 32 of the international classification of goods and services: "non-alcoholic sparkling beverages."	N/A	Ukraine
19-Feb	Asters	Asters acted as legal counsel to the European Bank for Reconstruction and Development in connection with its capital increase of UkrSibbank by UAH 3.29 billion.	UAH 3.29 billion	Ukraine
22-Feb	Alexandrov & Partners	Alexandrov & Partners advised on the ICC Ukraine Reliable Partner Project, which is aimed at protecting "national producers during foreign economic operations."	N/A	Ukraine

Date covered	Firms Involved	Deal/Litigation	Deal Value	Country
24-Feb	Aequo	Aequo secured merger clearance from the Antimonopoly Committee of Ukraine for Danone S.A. for its acquisition of sole control over Dairy JV Holdings Limited.	N/A	Ukraine
25-Feb	Baker & McKenzie CMS	Baker & McKenzie advised Cargill on an agreement with MV Cargo for the latter to construct a new port terminal in Yuzhni, Ukraine. MV Cargo was assisted by CMS on the deal.	N/A	Ukraine
25-Feb	Gestors	Gestors acted as legal advisor to the Public Joint-Stock Company Chernomornaftogaz in its attempt to ensure the return of the crane vessel Titan-2.	N/A	Ukraine
26-Feb	AstapovLawyers	AstapovLawyers International Law Group announced that it will continue to act as the legal partner of the Ukrainian Tennis Federation in 2016.	N/A	Ukraine
29-Feb	Integrites	Integrites, acting pro bono, advised on the registration of VoxUkraine as a non-governmental organization.	N/A	Ukraine
29-Feb	EUCON	Lawyers from the International Legal Center EUCON successfully defended the interests of Mikogen Ukraine before the Supreme Administrative Court of Ukraine, in a claim filed by the Ukrainian mushroom compost producer in order to cancel a decision of the Kremets United State Tax Inspectorate in the Ternopil region that excluded Mikogen from the list of fixed agricultural taxpayers.	N/A	Ukraine
1-Mar	Avellum	Avellum advised Hamed Alikhani on obtaining the approval from the National Bank of Ukraine for his acquisition of the qualifying shareholding in PJSC CB Center.	N/A	Ukraine
7-Mar	SDM Partners	SDM Partners successfully challenged the demands of the State Fiscal Service of Ukraine levied against firm client Synevo Ukraine LLC.	N/A	Ukraine
7-Mar	Avellum Linklaters Sayenko Kharenko	Avellum acted as Ukrainian counsel to the Ministry of Finance of Ukraine on the restructuring of a sovereign-guaranteed loan provided by JSC Sberbank of Russia to the Yuzhnoye State Design Office and the Road Agency of Ukraine (with an outstanding principal balance of approximately USD 367 million), and another loan by Citibank and Sberbank to the Road Agency of Ukraine (with an outstanding principal balance of EUR 37.3 million). Sberbank and Citibank were advised by Sayenko Kharenko, with Linklaters advising on matters of English law.	USD 410 million	Ukraine
9-Mar	Integrites	Integrites provided Nova Poshta Group with "complex legal assistance on compliance with Ukrainian competition law requirements."	N/A	Ukraine
15-Mar	Sayenko Kharenko	Sayenko Kharenko acted as Ukrainian legal advisor to PJSC Moscow Exchange in connection with the sale of controlling stakes in two leading Ukrainian stock exchanges: the PJSC Ukrainian Exchange and PJSC PFTS Stock Exchange. The shares were purchased by a group of investors with participation of two Ukrainian investment companies: Dragon Capital and UNIVER.	N/A	Ukraine
28-Mar	Arzinger	Arzinger reports that it successfully represented Marie Brizard Wine & Spirits (formerly Belvedere SA) in the pending bankruptcy case of its Ukrainian subsidiary, TOV Belvedere Ukraine.	N/A	Ukraine
6-Apr	Sayenko Kharenko	Sayenko Kharenko acted as legal counsel to the EBRD on its EUR 40 million loan to Kronospan UA, a wood-based panel producer.	EUR 40 million	Ukraine
7-Apr	Antika Law Firm	Ukraine's Antika Law Firm successfully defended the interests of AWT Britannia LLC in a dispute with the State Tax Inspectorate in Kiev.	N/A	Ukraine
8-Apr	Alekseev, Boyarchuk and Partners	Alekseev, Boyarchuk and Partners announced that, working pro bono, it assisted in the development of Murahy.com, which the firm describes as "the first Ukrainian charitable e-commerce platform."	N/A	Ukraine
12-Apr	Vasil Kisil and Partners	Vasil Kisil & Partners provided legal support to the Confidence and Guarantee insurance company on its compliance with newly enacted statutory requirements on licensing and on the possibility of appealing a previous license revocation decision made by the National Commission for Regulation of Financial Services Markets.	N/A	Ukraine

Full information available at: [www.ceelegalmatters.com](http://www.ceelegalmatters.com)

Period Covered: February 16, 2015 - April 12, 2016

## 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](mailto:press@ceelm.com)

# On the Move: New Homes and Friends

## Changes at Tark Grunte Sutkiene in Estonia Result in End of Varul

### 1. Tark Grunte Sutkiene Announces Tie-Up With Varul Estonia



Tark Grunte Sutkiene has signed a memorandum of understanding with Varul's Estonia office to tie up and, in the firm's words, "form a stronger Baltic partnership."

The news of the impending merger – which did not include Varul's Latvian and Lithuanian offices – follows the ongoing trend of consolidation and strengthening of pan-Baltic firms that started with a similar merger in September 2014 between the Vilnius offices of Tark Grunte Sutkiene and Baltic Legal Solutions. That was followed, last year, by news that two of the region's other major law firms – Lawin and Raidla, Lejins, & Norcous – had traded Estonian offices and reformed as Cobalt (the former RLN offices in Latvia and Lithuania plus the former Lawin office in Estonia) and Ellex (the former Lawin offices in Latvia and Lithuania plus the former RLN office in Estonia). An analysis of many of these changes and the forces leading to them in the Baltics was published in the June 2015 issue of the CEE Legal Matters magazine.

Subsequently, following Borenus's September 2015 decision to withdraw from the Baltics, both Sorainen and Cobalt picked up significant members of that firm's team as well.

In a statement released by Tark Grunte Sutkiene about its recent tie-up in Estonia, Ivars Grunte, the Chairman of the firm's management board, welcomed his new Estonian colleagues: "TGS has always been at the forefront of Baltic law firms. The competition in Estonia and the Baltic market in general is fierce; therefore new and brave approaches to serving the client's needs are necessary. I am convinced that the renowned brain power behind our new partners in Estonia will give a positive lift to our Baltic team of trusted advisers."

Martin Tamme, the Managing Partner of the former Varul Estonia, commented on the rationale behind his office's decision to join with Tark Grunte Sutkiene: "Varul Estonia has witnessed excellent growth within the past few years, however, our ambition is to be number one in the Baltics. We are very enthusiastic about taking this substantial leap towards our goal." Founder and Senior Partner Paul Varul added: "We see the three teams complementing each other nicely and are excited to be working together with professionals of this calibre."

### 2. The Writing On the Wall



Tark Grunte Sutkiene's announcement did not come as a complete surprise, and there were indications in the days preceding it that big changes were afoot. First, Tark Grunte Sutkiene Partner and Head of M&A in Estonia Risto Vahimets moved to rival Raidla Ellex; several days later Partner and Head of Competition in Estonia Rene Frolov moved to Fort.

Then, on the same day that Tark Grunte Sutkiene announced its planned merger with Varul, 16 of the 23 lawyers that remained in the firm in Estonia (before the merger) announced that they would be splitting to found a new firm of their own.

That new firm – somewhat confusingly called "TGS" (the same acronym Tark Grunte Sutkiene uses to refer to itself (see, for example, the fourth paragraph of the preceding item)) – was founded by long-term Tark Grunte Sutkiene Partners Hannes Vallikivi (who will serve as Managing Partner), Erki Kergandberg, Toomas Taube, Margo Lemetti, Piret Blankin, and Rolan Jankelevits. In addition, according to an announcement issued by TGS, Elmer Muna and Andres Siigur were promoted to the Partnership.

In that announcement, new TGS MP Vallikivi said that the split from Tark Grunte Sutkiene was necessary "to apply the latest practices in managing and developing the law firm when advising leading businesses in Estonia. The easiest way to do that was to found a new law firm with lawyers having a similar mindset."

He continued: "On the one hand, the profession of a lawyer is



a conservative one, having a high reputation in society and serving a specific purpose – it helps to ensure that all members of society are equal before the law. On the other hand, our profession is constantly changing, and we must be the ones who are the quickest to turn our eyes to the direction where our clients are looking. We must listen to our clients. That was the principle based on which we created the new law firm by such a great number of top lawyers – we look towards the same horizon our clients have turned their eyes to.”

### 3. Varul Latvia Jumps Ship for BDO Legal



Varul's Latvian office responded to the news that their counterparts in Estonia had tied up with Tark Grunte Sutkiene by announcing that it would be leaving the Varul network as well and would be joining the BDO Legal network.

According to a press release issued by the new BDO Legal in Latvia, “BDO International is the fifth largest group of auditing and financial services providers, encompassing over 1,400 in more than 154 countries. BDO Latvia provides financial statement auditing services, tax advisory services, enterprising consultations and accountancy outsourcing.”

“BDO offices in a number of countries around the world have developed legal practice alongside traditional audit, tax, and financial advisory services,” said Partner Janis Zelmenis, who leads the office with fellow Partner Vita Liberte. “This is done with one main purpose – to provide competent interdisciplinary expertise in all economically important areas of advice. Our decision to further develop the legal practice within the BDO network is just a logical step after 2015, when AS BDO Latvia became the sole official representative of BDO in Latvia.”

“Currently the legal practice is being developed by BDO offices in more than 20 countries, bringing together nearly 300 lawyers,” said Liberte. “By joining BDO Legal network we are expanding our and customer capabilities outside the Baltic market, providing legal assistance and confidentiality within a single network in the world.”

Zelmenis & Liberte had been with Varul for a little over three years after merging their eponymous office with the firm in January 2013.

### 4. Lithuanian Office Turns out Lights on Varul, Merges with Primus



Several days later, on April 19, 2016, the Lithuanian office of Varul responded by announcing *its* merger with Primus, giving that firm – which until January 1, 2016, had operated its Latvian and Estonian offices under the “Red” brand – a full pan-Baltic presence for the first time.

“Recent changes in the legal market are influenced by the dynamic competitive environment,” said Robert Juodka, Managing Partner at Varul Lithuania, in reference to the dramatic developments of the previous week. “In recent years we observe steady and sustainable growth of our office in Lithuania. We believe that combining our forces with new partners in Estonia and Latvia, we are strengthening our positions in the Baltic region and have the possibility to create an innovative and ambitious network of legal services, which will be able to offer innovative legal solutions not only in the Baltic countries but for clients in other European jurisdictions as well.”

“Currently we are very active in the Polish market,” Juodka continued. “Our Vilnius office is one of the founders and members of the Polish-Lithuanian Chamber of Commerce. Almost a year ago we have established a Polish Desk, which offers specialist assistance to Polish companies, who would like to start doing business in Lithuania, implement projects or conclude contracts with Baltic partners.”

The office will continue to operate under the Varul trademark until the legal procedures related with the name change are completed.

### Kinstellar Defies Trend by Expanding Into Ukraine

Kinstellar has announced the opening of a new office in Kyiv.

The regional firm's newest office will be headed by Kostiantyn Likarchuk, whom Kinstellar describes as “a perfect match with our firm culture.” Likarchuk left Avellum, which he helped set up, in May, 2015, to become the Deputy Head of the State Fiscal Service of Ukraine, responsible for customs-related issues. He then left that position in September to become the Director of LBL – the Legal Bureau of Likarchuk.

Commenting on the opening, Jason Mogg, Kinstellar Managing Partner, commented: “Our new office in Kyiv is a strong, strategic fit with our existing offices and strengthens our firm as a

whole. Kinstellar Kyiv will be a fully integrated Kinstellar office, fully aligned, fully committed to the same quality and consistent service you expect from Kinstellar. We are confident that with our new Kyiv team in place, Kinstellar will rapidly achieve a top-tier position in Ukraine.”

The office opening is Kinstellar’s first since launching its Sofia office in November 2014. It seems to go against the trend in Ukraine, as Clifford Chance (in 2015), Schoenherr (in 2015), and Chadbourne (in 2014) have all left the country in recent years.

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### Partner in Charge of Bosnia Practice for Karanovic & Nikolic Takes Team to Start Own Firm



The former Partner in charge of the Bosnia practice of Karanovic & Nikolic has split from the regional firm to establish Dimitrijevic & Partners.

On Saturday, February 20, 2016, Karanovic & Nikolic declared that: “As of this week we have formally terminated our co-operation with Partner Stevan Dimitrijevic...,” explaining that, “it turned out that we do not share the same vision and values, which makes our further co-operation impossible.” The firm announced that: “In line with our firm values and approach to client work we have always operated as one team in Bosnia and will continue to serve clients across all of Bosnia in the top quality manner that clients have come to expect from Karanovic & Nikolic.”

When contacted by CEE Legal Matters, Dimitrijevic also pointed to a difference in visions but claimed that it was, in fact, his team that had initiated the termination of the cooperation as they “wanted to preserve a local team and local flexibility in terms of, among other things, pricing, not to compromise the quality over the volume of work and number of clients, as well as to retain a reasonable level of autonomy as local Bar rules proclaim.”

According to Dimitrijevic, he is followed by “the whole Banja Luka team except for one of my trainees.” This team, he said, consists of four fee earners aside from Dimitrijevic, including Davorin Marinkovic, who will be a Partner in the new firm, Senior Associate Nina Vjestica, Of Counsel Tanja Savicic, and a new trainee who came in at the beginning of March. The team will be complemented by two people in support functions.

Dimitrijevic told CEEL that: “The office is already furnished, and the leasing has just started. People are in parallel moving with me.

Since this type of services, legal services, is always a work in progress, there is no practical clean cut. One may say that we have been already established our practice. I am working separately already today.” In terms of immediate steps, he added: “We have already connected ourselves through best friend’s network of firms both in the other part of Bosnia as well as the whole region, to be able to provide the clients with similar reach as before and possibility to group in bigger teams should a need arise.” He mentioned that there is a “plan – and we already went quite a way down in concrete measures – to form a new regional network through Balkans, so our clients remain served also regionally,” but he declined to provide more details.

“K&N still has the Sarajevo team, which it seems will remain on the ground,” according to Dimitrijevic. Indeed, Karanovic & Nikolic informed CEE Legal Matters that Sarajevo-based Partner Nihad Sijercic will lead the Bosnian practice going forward, with the support of Sarajevo-based Senior Associates Lana Sarajlic and Mirna Milanovic-Lalic, Sarajevo-based Associates Ivana Vragovic and Jasmina Dzaferovic, Banja Luka-based Associate Dorde Dimitrijevic, all complemented by Counsel Andrea Wilson.

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### Venckute & Karnickas Opens Doors in Vilnius



Venckute & Karnickas has opened its doors in Lithuania, led by former Senior Associates from the Vilnius offices of Sorainen and Cobalt.

Both named partners of the new firm are well recognized in specific legal areas. Jurgita Venckute headed Sorainen’s regional employment practice; and IP/IT specialist Liudas Karnickas worked for eight years in the Vilnius office of Lawin and moved to Raidla, Lejins & Norcous in 2013, staying with it when the Vilnius office reformed as Cobalt, where he headed the firm’s Lithuanian IP & IT practice. According to a statement released by Venckute & Karnickas, “the combination of their expertise in IT, IP, employment law and data protection should well benefit local and international clients of the Lithuanian legal market. In addition, the law firm has distinctive strengths in pharmaceutical and healthcare sectors.”

“We are well aware of the growing need among clients for specialized legal services, carefully selected information, tailored and strategic advice,” said Karnickas in that firm’s statement. “Law firm Venckute & Karnickas was inspired by these trends.”

## Summary Of New Partner Appointments

Date Covered	Name	Practice(s)	Firm	Country
9-Mar	Stephan Pachinger	Corporate/M&A	Freshfields Bruckhaus Deringer	Austria
10-Mar	Magdalena Warum	Dispute Resolution	Fellner Wratzfeld & Partner	Austria
10-Mar	Julia Schuster	Dispute Resolution	Fellner Wratzfeld & Partner	Austria
14-Mar	Jan Juroska	Corporate/M&A; Capital Markets	Kinstellar	Czech Republic
24-Feb	Inga Klimasauskiene	Labor	Glimstedt	Lithuania
5-Apr	Akvile Bosaite	Banking/Finance	Cobalt	Lithuania
6-Apr	Povilas Zukauskas	Insolvency/Restructuring	Valiunas Ellex	Lithuania
6-Apr	Evaldas Klimas	Infrastructure/PPP	Valiunas Ellex	Lithuania
6-Apr	Karolis Kacerauskas	Competition	Valiunas Ellex	Lithuania
30-Mar	Margaret Badowska	Corporate/M&A; Banking /Finance	Gessel	Poland
30-Mar	Maciej Kozuchowski	Corporate/M&A	Gessel	Poland
30-Mar	Krzysztof Marczuk	Capital Markets	Gessel	Poland
1-Mar	Adina Vizoli	Tax	Nestor Nestor Diculescu Kingston Petersen	Romania
1-Mar	Lucian Barbu	Tax	Nestor Nestor Diculescu Kingston Petersen	Romania
1-Mar	Silviu Badescu	Tax	Nestor Nestor Diculescu Kingston Petersen	Romania
3-Mar	Mathieu Fabre-Magnan	Corporate/M&A	Dentons	Russia
30-Mar	Maria Ostashenko	Corporate/M&A; IP/TMT	Alrud	Russia
5-Apr	Anton Panchenkov	Corporate/M&A; Involency/Restructuring	Goltsblat BLP	Russia
5-Apr	Ivan Veselov	Dispute Resolution/Litigation	Goltsblat BLP	Russia
11-Apr	Ilya Dvorkin	Banking/Finance	Allen & Overy	Russia
8-Mar	Bojan Vuckovic	Competition	Karanovic & Nikolic	Serbia
8-Mar	Milos Jakovljevic	Corporate/M&A	Karanovic & Nikolic	Serbia
10-Mar	Peter Gruca	Real Estate	Wilson & Partners	Slovakia
4-Apr	Jan Lazur	IP/TMT	Taylor Wessing	Slovakia
4-Apr	Juraj Frindrich	Corporate/M&A; Competition	Taylor Wessing	Slovakia
11-Mar	Levent Belli	Dispute Resolution	YukselKarkinKucuk Attorney Partnership	Turkey
1-Apr	Gokce Izgi	IP/TMT	Moroglu Arseven	Turkey
1-Apr	Ezgi Baklaci	IP/TMT	Moroglu Arseven	Turkey

## Other Appointments

Date Covered	Name	Firm	Appointed to	Country
31-Mar	Arkadiusz Krasnodebski	Dentons	Managing Partner (re-elected)	Poland
3-Mar	Cristina Filip	PeliFilip	Managing Partner	Romania
15-Mar	Elena Krestyantseva	Pepeliaev Group	Head of Land, Real Estate and Construction in the firm's St. Petersburg office	Russia
18-Apr	Tim Theroux	Gide Loyrette Nouel	Managing Partner	Russia
5-Apr	Nika Avayan	Integrites	Chief Executive Officer	Ukraine
12-Apr	Oleksiy Feliv	Integrites	Managing Partners	Ukraine



## Summary Of In-House Appointments And Moves

Date covered	Name	Company	Moving From	Country
4-Apr	Alexey Amvrosov	IBM (Lead Counsel)	(promoted)	Austria
11-Mar	Mark Mueller	BPV Braun Partners	E.ON Ceske Republike (Head of Legal)	Czech Republic
29-Feb	Gergely Szekely	Gergely Szekely Law Firm	Allegro Hungary (General Counsel)	Hungary
24-Feb	Artur Chrzanowski	Eiffage Polska Budownictwo (Head of Legal)	Magnusson	Poland
14-Mar	Tomasz Braun	Dentons	HSBC Holdings (General Counsel)	Poland
8-Apr	Maciej Hajewski	Gras Savoye International - Willis Tower Watson CEEMEA (Regional Compliance Officer)	AIG	Poland
11-Apr	Adriana Stoian	Bulboaca & Asociatii	Transfer Pricing Services (Tax Director)	Romania
29-Feb	Nikolay Nekrashevich	Lenovo (Chief Legal and Compliance EAST EMEA)	Tesco Corporation	Russia
31-Mar	Olga Mitkina	Expert Discovery (Director of Corporate Law Department)	PwC	Russia
15-Apr	Alexander Litvinov	Kiko Milano (Head of Legal)	Kira Plastinina (Head of Legal)	Russia
14-Mar	Cem Davutoglu	Akbank (Legal Counsel)	Bener	Turkey
16-Mar	Oguzkan Guzel	Fidecon Regulation&Competition Consulting Inc. and Guzel Law Office	Turk Telekom (Director of Regulation and Competition Law)	Turkey
29-Mar	Ozun Deniz	Edenred Turkey (Head of Legal Affairs)	Turk Telekom	Turkey
4-Apr	Hande Karakulah	Avon (Director TMEA)	(promoted)	Turkey
18-Mar	Svyatoslav Sheremeta	Integrites	Dragon Capital (Co-Head of Legal Department)	Ukraine

## Helpful Tips

If you have any information about major acquisitions, lateral moves, office closings, or other developments of significance in a CEE legal market, please contact us at [press@ceelm.com](mailto:press@ceelm.com).

Confidentiality is guaranteed.

## Summary Of Partner Lateral Moves

Date covered	Name	Practice(s)	Joining	Moving From	Country
8-Mar	Heinrich Kühnert	Competition	Dorda Brugger Jordis	bpv Hugel	Austria
22-Feb	Stevan Dimitrijevic	Corporate/M&A	Dimitrijevic & Partners	Karanovic & Nikolic	Bosnia & Herzegovina
22-Feb	Davorin Marinkovic	Energy; Infrastructure/PPP	Dimitrijevic & Partners	Karanovic & Nikolic	Bosnia & Herzegovina
6-Apr	Thilo Hoffmann	Corporate/M&A; Insolvency/Restructuring	Taylor Wessing	Weinhold Legal	Czech Republic
1-Apr	Rene Frolov	Competition	Fort	Tark Grunte Sutkiene	Estonia
8-Apr	Risto Vahimets	Corporate/M&A	Raidla Ellex	Tark Grunte Sutkiene	Estonia
14-Apr	Hannes Vallikivi	Banking/Finance; Corporate/M&A	TGS	Tark Grunte Sutkiene	Estonia
14-Apr	Erki Kergandberg		TGS	Tark Grunte Sutkiene	Estonia
14-Apr	Toomas Taube	Corporate/M&A	TGS	Tark Grunte Sutkiene	Estonia
14-Apr	Margo Lemetti	Dispute Resolution	TGS	Tark Grunte Sutkiene	Estonia
14-Apr	Piret Blankin	Dispute Resolution	TGS	Tark Grunte Sutkiene	Estonia
14-Apr	Rolan Jankelevits		TGS	Tark Grunte Sutkiene	Estonia
14-Apr	Elmer Muna	Dispute Resolution/Litigation	TGS	Tark Grunte Sutkiene (Senior Associate)	Estonia
14-Apr	Andres Siigur	Banking/Finance	TGS	Tark Grunte Sutkiene (Head of Banking & Finance)	Estonia
19-Apr	Janis Zelmenis	Tax	BDO Legal	Varul	Latvia
19-Apr	Vita Liberte	Tax	BDO Legal	Varul	Latvia
19-Feb	Jurgita Venckute	Labor	Venckute&Karnickas	Cobalt	Lithuania
19-Feb	Liudas Karnickas	IP/TMT	Venckute&Karnickas	Cobalt	Lithuania
5-Apr	Rokas Janauskas	Life Sciences	CEE Attorneys	Independent	Lithuania
19-Apr	Ernesta Ziogiene	Corporate/M&A; Real Estate; Banking/Finance	Pr1mus	Varul	Lithuania
19-Apr	Giedre Dailidenaite	Corporate/M&A	Pr1mus	Varul	Lithuania
19-Apr	Marius Devyzis	Corporate/M&A	Pr1mus	Varul	Lithuania
19-Apr	Tomas Venckus	Corporate/M&A; Real Estate	Pr1mus	Varul	Lithuania
19-Apr	Gediminas Pranevicius	IP/TMT	Pr1mus	Varul	Lithuania
19-Apr	Kestutis Puscus	Corporate/M&A; Insolvency/Restructuring	Pr1mus	Varul	Lithuania
19-Apr	Kristina Alesiunaite	Corporate/M&A; PPP/Infrastructure	Pr1mus	Varul	Lithuania
19-Apr	Liutauras Baikstys	Banking/Finance	Pr1mus	Varul	Lithuania
19-Apr	Robert Juodka	Corporate/M&A; Real Estate	Pr1mus	Varul	Lithuania
30-Mar	Ludwik Zukowski	IP/TMT	Gessel	Zukowski & Partners	Poland
6-Apr	Iulian Iosif	Insolvency/Restructuring; Corporate/M&A	Suciu Popa & Asociatii	Musat & Asociatii	Romania
13-Apr	Adrian Ster	Competition	Wolf Theiss	Musat & Asociatii	Romania
13-Apr	Vadim Konyushkevich	Corporate/M&A	Liniya Prava	Lidings Counsel (Counsel)	Russia
2-Mar	Silvia Belovicova	Insolvency/Restructuring	Squire Patton Boggs	White & Case	Slovakia
1-Mar	Kostiantyn Likarchuk	Banking/Finance	Kinstellar	Legal Bureau of Likarchuk	Ukraine
23-Feb	Ted Cominos	Private Equity	Faegre Baker Daniels	Locke Lord LLP	United Kingdom

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Period Covered: February 19, 2016 - April 19, 2016

# Legal Matters: The Buzz

## Austria

### *HETA at a cross-roads and diligence questions*



According to Erik Steger, Partner at Wolf Theiss, there are two main discussion points among lawyers in Austria. The first is the recent developments on the HETA story (see page 81). Steger explains that a recent proposal – made with the support of the Austrian Government – did not receive support from a sufficient majority of institutional bond creditors and failed. The next step was the much stronger haircut imposed by the Financial Market Authority (FMA) and, according to Steger, the question is what it will mean in practice, especially since many bonds were originally guaranteed by the state of Carinthia, which has announced that it cannot carry the debt and will thus fight to avoid liability. While those efforts are unlikely to succeed, there is a great deal of uncertainty about what's going to happen. “Will Carinthia simply go bankrupt, and if so, how?” are big questions in the country at this point, according to Steger. And on that, he pointed out, the press has been “reporting on the opinion of law academia apparently rushing the Government to bring to light a new code for the bankruptcy of federal states and municipalities, while creditors started enforcing their claims under the non performing bonds.”

Adding to the pressure, the HETA lawsuit in Germany was supposed to be decided a month ago, but, at the request of the Austrian authorities, the German court agreed to suspend its decision for short while. If the court rules that the moratorium on HETA Debt imposed by the FMA does not apply to German creditors, Steger says, those creditors would be able to go for recovery immediately, meaning that some creditors would potentially be treated in a preferential way over others – which could force HETA into insolvency. “This would speed up everything dramatically,” he says, as it would force the winding down and sale of assets to take place under the umbrella of insolvency. “At this point, everybody wants to avoid this drama and settlement negotiations continue.”

The Panama Papers are also a discussion generator, according to Steger. He explains that the highly publicized story raises questions about lawyers and law firms, particularly: “how can you advise a client in terms of their compliance and can you, as a

firm or lawyer yourself, make sure to be fully compliant yourself at all times?” He adds: “In Austria, the state of the law imposes strict rules on law firms in terms of anti-money laundering and avoidance of terrorism financing. We need to be vigilant in doing our research when accepting a new mandate and ensure that we know the ultimate beneficiary.” This type of due diligence requires a considerable amount of law firm infrastructure, Steger explains, especially when the case involves cross-border elements – and this ultimately translates into relatively high costs, which raises a question about how smaller players can afford the necessary investment.

## Hungary

### *The market is moving again*



The main theme in the Hungarian market is the ongoing legislative developments that lawyers need to stay apprised of, according to Zoltan Nadasdy, Budapest Office Managing Partner at Noerr & Partners. As an example of this, he points to the recent so-called “Sunday Closure” issue, relating to the recent relaxation of legislation enacted in 2015 forcing large retailers to close on Sundays. “Every time a major legislative change is made,” Nadasdy points out, “all clients need to be informed of it so that appropriate actions are taken. He continued: “This specific update means that again retailers need to restructure their employment contracts, their staff size, their shifts, and so on – and all of it will require legal assistance.”

Speaking about the Hungarian economy, Nadasdy reports that, “the market is moving again and there are a lot of investors looking for assets and investment opportunities in general in the country.” Especially positive is the impact of the decreased VAT for constructions, which has led to an uptick in development projects. He notes that the positive trend is also reflected in the services industry and a bit in terms of M&A, but he says that real estate project development seems to be the big winner.

“High demand and low interest rates have led to a price increase on the market with people having the cash to invest but not wanting to keep it in the banks,” Nadasdy notes.



In terms of the legal services market, “the main players seem to be stable” and “many are searching for new opportunities to grow” but no real big changes can be pinpointed at this point other than the usual general movement in the industry, he believes.

## Kosovo

### *War crime trial is front and center*

The primary subject of significance for lawyers in Kosovo right now, according to Korab Sejdiu, the Managing Director of Kosovo’s Sejdiu & Qerkini law firm, is the creation of a special division of the Kosovar judiciary to rule on war crime accusations levied at ex-Kosovo Liberation Army members for conduct during the Kosovo War (the fight for independence from Serbia in the late 1990s). The tribunal is particularly significant, Sejdiu reports, because “some of the current major political figures, including some currently serving in state institutions, are potential indictees in the process.” The court will be stationed in The Hague, and the judges and prosecutors will be non-Kosovar, although it appears that Kosovo law will be applied, and it will be considered a Kosovar court.

The legal community is waiting to see what happens, Sejdiu reports, because “obviously defense counsel will be engaged by the indicted persons.” His firm is already speaking to several larger international firms with lawyers experienced in war crime trials to jointly represent potential clients. Indeed, he says, several foreign firms have already begun sending lawyers to Kosovo to try and win some of the expected business that should be generated.

Otherwise there’s not much happening in the country, Sejdiu sighs, due to a political stalemate that’s existed for some time, resulting from a long-lasting and at times violent battle between the opposition and governing parties “which has really hampered any kind of attempts to put forward any kind of legislative reform to enable the business and legal environment.” The one potential deal of significance, “which would have provided quite a bit of economic stimuli to Kosovo, would have been the privatization of the ski resort in Brezovica” – but is likely to fall through, as the French-American consortium expected to lead the process appears unable to obtain the necessary funding by the end of May.

The economy is predicted to grow at 3.5% or so this year, Sejdiu reports, but it needs about 20% growth “to make any kind of significant strides.” The only grounds for hope, he said, is the entry into force of the Stabilisation and Association Agreement (SAA) signed in October of last year with the European Union, which entered into force on April 1, 2016. The SAA provides for a transitional period, during which Kosovo will be allowed to take some protectionist measures and obtain “a substantial amount of money from EU funds to get its infant industries developed.” Sejdiu describes the opportunity as “a major development that might provide some support for the local businesses.” He says, “if the Kosovo business community can somehow take advantage of that and use the transitional benefits wisely so that they become competitive with EU companies, that’s good news.

If they mess this up as they have many other opportunities in the past, then what happens is at the end of the transitional period you get these highly competitive companies coming in, and they just destroy your economy, because you can’t compete.”

## Latvia

### *Less money leads to more litigation and more scrambling to fix structural problems*



Latvia’s a relatively small market, Vilgerts Partner Gints Vilgerts says, “which means that not much is happening but we see firms particularly active on the litigation side.” All kinds of disputes are increasing in numbers in the country, Vilgerts says. “I think there’s simply a matter of less money being in the market, which means that everyone starts suing each other over everything.” Vilgerts believes that M&A is on the rise, but says that “we see that these are different from what we’re used to seeing.” He explains: “this is not growth-based M&A activity, with a very small proportion of movement resulting from someone believing that they can grow beyond a certain point. It is more a matter of people saying, ‘we’re tired, let’s get rid of it,’ and then competitors swoop in since the asking price is good.” Aside from this type of M&A work and litigation, the pipeline is slow for law firms, Vilgerts says, pointing to the heavily hyped-up data protection updates on which all firms scrambled to make a large marketing push. “The amount of work that came out of it: zero.” He concludes: “I do think this is also caused by the fact that legal departments have been growing and they’re now trying to minimize outsourcing and limit it to the risky litigation side.”

Looking at the recent Baltic law firm updates (see page 14), “I’m sitting like in a cinema watching it all unfold and I find it all very interesting. I think the core issue is what I mentioned earlier – there is less money in the market and that’s really the trigger for everything we see.” He argues that “firms are splitting up and merging left and right in hopes they’d solve the structural problems that they have.” The result, Vilgerts predicts, is that the competition between the largest 3 firms will continue to intensify but “for mid-sized firms, the realities on the ground will not really change much as a result of all of this.”

### Moldova

#### *Controversial requirement for liability insurance and increased work from arbitration*

According to Octavian Cazac, Partner at Moldova's Turcan Cazac, the most significant news for the Moldovan legal market at the moment is the proposal for reform of the Law on Advocates being put forward by the Ministry of Justice. Cazac notes that the proposal isn't really reform in "a huge way" and won't really affect clients much, but it is expected to clarify the inner workings of the Moldovan Bar Association somewhat. "The only element that is somewhat controversial," Cazac says, "is that the Ministry of Justice wants to force lawyers to buy professional liability insurance," which they have not previously been subject to. Many lawyers oppose this element of the proposal, both because it's seen as not as necessary in Moldova as in some other markets and thus constitutes an unwanted expense – Cazac says not many clients bring such claims in Moldova, and refers to it as "basically a problem that doesn't exist" – but also because strong and reliable insurance companies are hard to find on the Moldovan market.

In terms of the work coming to firms in the country, Cazac pointed to the increased frequency ("frequent for us," he conceded, as "probably other countries are more frequently involved in it"), with which the Moldovan government is retaining law firms (usually as part of a syndicate with an international law firm) to defend it from various investor grievances, as "it is becoming very popular to sue Moldova before ICSID or ICC tribunals." Just last week, Cazac said, the Moldovan government succeeded in having a 2013 arbitral award by the ICC in Paris requiring the state to pay USD 47 million annulled by the Paris Court of Appeals, which Cazac notes is "very rare." Politically, Cazac said, this is seen as a huge success, especially following the widely reported discovery last year that USD 1 billion – equivalent to 12% of Moldova's GDP – had been stolen from Moldovan banks over the course of three days in 2014, so "every cent counts in these arbitrations." In addition, some claims are brought by what Cazac refers to as "very shady individuals" who claim to find old debt and find assignees to claim it.

Cazac said his firm is slightly busier than it was in 2015, "but looking at the general business climate, clients are not optimistic." He points to "a huge political crisis," following the fall of the previous government and its replacement by a new government, "which is still to earn the trust of the general public." People are not very optimistic, and the situation is not very stable. Not much foreign investment is coming into the country at the moment, he says, pointing to the persistent corruption and inevitable demands for bribes companies doing business in the country face, along with other circumstances that create great uncertainty and risk. He notes that the reputation is probably worse than the reality, but he concedes that the reputation is "a huge scarecrow," and says, "that's why, for foreigners looking on the Internet to invest their money in Moldova, they would have to have a very compelling reason to make an investment here." The Government has been expected to take action to improve the business climate and address the pervasive perception of

corruption in the courts since pro-European parties came into power in 2009, but at this point, Cazac says, "there is general skepticism that this policy is being achieved."

### Poland

#### *A healthy volume of transactions*

The most commonly-discussed topic in Poland relates to the tax changes in the country, according to Agata Jurek-Zbrojska, Counsel at Hogan Lovells. One of these changes – affecting the bank tax – was introduced at the beginning of the year, but questions remain over its implementation, as well as how it will impact the sector. Other upcoming legislative changes, not yet enacted but with drafts currently under discussion, involve the retail tax and the changes in the requirements for acquisitions of agricultural land. Both are receiving a great deal of attention, and Jurek-Zbrojska is impressed that the Government has been active in discussing the potential consequences with stakeholders familiar with the relevant industries.

"Also worth noting," Jurek-Zbrojska says: "Poland's political landscape has been receiving a great deal of attention from abroad and there is a healthy flow of investors. A good example of this is a recently-concluded real estate transaction that was valued at over EUR 1 billion. This is something that gives us a positive read about the environment in which we operate. In contrast, at the beginning of the year, there were plenty of commentators that were pointing to perceived threats over the political situation in the country, without looking at the market realities in detail." Jurek-Zbrojska concludes positively: "It is definitely a great sign that investors are looking at the background of the economy rather than the political discussions, and indeed, this was not just a one-off, with the year registering a healthy volume of transactions – similar to that of last year's."

### Russia

#### *Disputes and the legal profession under a microscope*



One of the most discussed topics in Russia, according to Vyacheslav Korchev, Senior Partner of Integrates, is the new ar-



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bitration law due to come into force on September 1, 2016. Korchev explains that the law aims to provide a “comprehensive regulation of internal and international arbitration. It will replace two current laws (the law on arbitration courts in the Russian Federation and the law on international arbitration) and will also provide for detailed regulations on matters which have not been subject to statutory regulation.” Among the most notable updates, he says, are “a requirement for licensing of the arbitration courts, provisions on arbitrability of corporate disputes, and new rules on the scope of state courts’ assistance in arbitration.”

Korchev also points to further changes in the disputes world, with amendments to the Russian procedural laws due to come into force on June 1, 2016 implementing an obligatory pre-trial settlement for commercial disputes, and simplified/fast-track court proceedings for small amount cases involving amounts up to approximately EUR 5000. Market realities are also shaping disputes, with the devaluation of the national currency being a constantly contentious aspect, according to Korchev, as cases involving contractual price provisions with prices fixed in a foreign currency and the recovery of unjust enrichments receiving conflicting judgments in Russian economic courts. Another worthwhile aspect to mention, Korchev believes, is the Supreme Courts position on the recovery of legal expenses from the losing party. Korchev argues that the Courts are taking a conservative approach with regards to a “long-going discussion, with the courts promoting recovery of legal fees based on the average market rates for services without taking into account ratings or other legal services’ market benchmarks – which, in turn, means there is an added risk for clients of big law firms to get compensated from the losing party.”

Lastly, Korchev points to the topic of “advocate monopoly” as a particularly important debate, involving the question of whether only “registered advocates” will be allowed to represent clients in court (giving them an effective “monopoly” on the right). Korchev explains that in April 2014, “the State Program of the Russian Federation ‘Justitia’ was enacted by the Government of the Russian Federation. Although the document did not contain specific provisions on the ‘advocate monopoly’ within the Russian legal community, it is considered to precede the enactment of a special law which will prohibit legal professionals who do not have the status of advocate from representing the interests of clients in court.” He adds: “In order to understand the profoundness of the controversy, it is necessary to note that nowadays there are no specific qualifications that need to be met by a representative in court in civil procedure. In the status quo, a legal representative does not even need to have a legal education to represent clients in civil and commercial proceedings in Russia. The proponents of the reform point out that the ‘advocate monopoly’ would improve the quality of legal proceedings as litigators will assist the court. Opponents insist that such ‘monopoly’ would only increase the costs of legal services without bringing any improvements due to low qualification standards set for the advocates nowadays.”

## Serbia

### *Exciting potential in terms of Serbia’s attractiveness*

PPP is still the hot discussion point in Serbia, according to Marija Bojovic, Partner at Bojovic & Partners. She reports that the country is making real efforts to improve its PPP image, noting that “We amended the laws and are now trying to find consultants for the Belgrade Airport – a really attractive project nowadays due to the expansion of the national carriers – and we’re likely looking at a PPP for it.” In terms of specific legislative updates, Bojovic explained that the aim of the amendments to the PPP legislation was to make it more attractive for all sorts of projects, including some in smaller municipalities where local projects do not require the Finance Ministry’s opinion, creating a decentralized decision-making process. “For example, amendments abandoned the requirements to provide for securities at the signing of the PPP contract as it was stipulated before,” she explained. “They can now be obtained at the closing.”

Another trend highlighted by Bojovic is that of Serbia’s increased attractiveness for outsourcing services: “We see more and more companies trying to set up here – and not just call centers but all sorts of shared service centers and product assistance services.” Bojovic explains that one result is the increase in legal work: “we contribute data protection, labor laws, corporate work, tax, regulatory, if the industry warrants it – for us there’s a lot of work on these since they’re usually green-field-type projects.”

Also exciting is that there is a high interest in the financial institutions sector in the country. “We have a new law on payment services that allows non-banking institutions to do some forms of financing now,” Bojovic explains. “Serbia is adapting to the EU and all these things that came in CEE a few years ago are now being established in Serbia as well. We still have some obstacles such as data protection and anti-money laundering laws that need to be adapted to fully benefit from the potential,” she concludes, “but the signs are definitely positive.”

## Turkey

### *Real estate in the driving seat*



With its growing young population and consumption trends Turkey continues to be an appetizing market for foreign investors, according to Vefa Resat Moral, Managing Partner of Mor-

al Law Firm. “The most important development for the sector in Turkey last year were the urban renewal projects which have dominated the local real estate sector, particularly in the metropolitan cities such as Istanbul, Ankara, and Izmir,” explains Moral. As a result of this development, “it seems that urban renewal projects will not stay limited to metropolitan cities and will be put into practice throughout Turkey.” He is also buzzing over the huge investments into mass housing and shopping malls in Turkey, and he adds: “The new Regulation on Shopping Malls brings out the principles and procedures which effect shopping malls – which are the key players in the real estate and retailer industry. In line with such sector dynamics, Real Estate Investment Funds seem to be the new investment model.”

Another more recent development in Turkey that Moral points to is the enactment of the “long-awaited” Personal Data Protection Code. “Having entered into force during the second week of April this year, it mainly implies rights and competence of data subject whose personal data was processed versus liabilities and obligations of data processors by means of administrative authorization,” he explains. With this Code, almost all companies will be required to renew their personal data processing methods and commercial policies and reorganize their operations.

## Ukraine

### *Furthering reforms in Ukraine*



Privatizations are “definitely at the top of the agenda in Ukraine,” according to Vladimir Sayenko, Partner of Sayenko Kharenko. He points to recent amendments of privatization

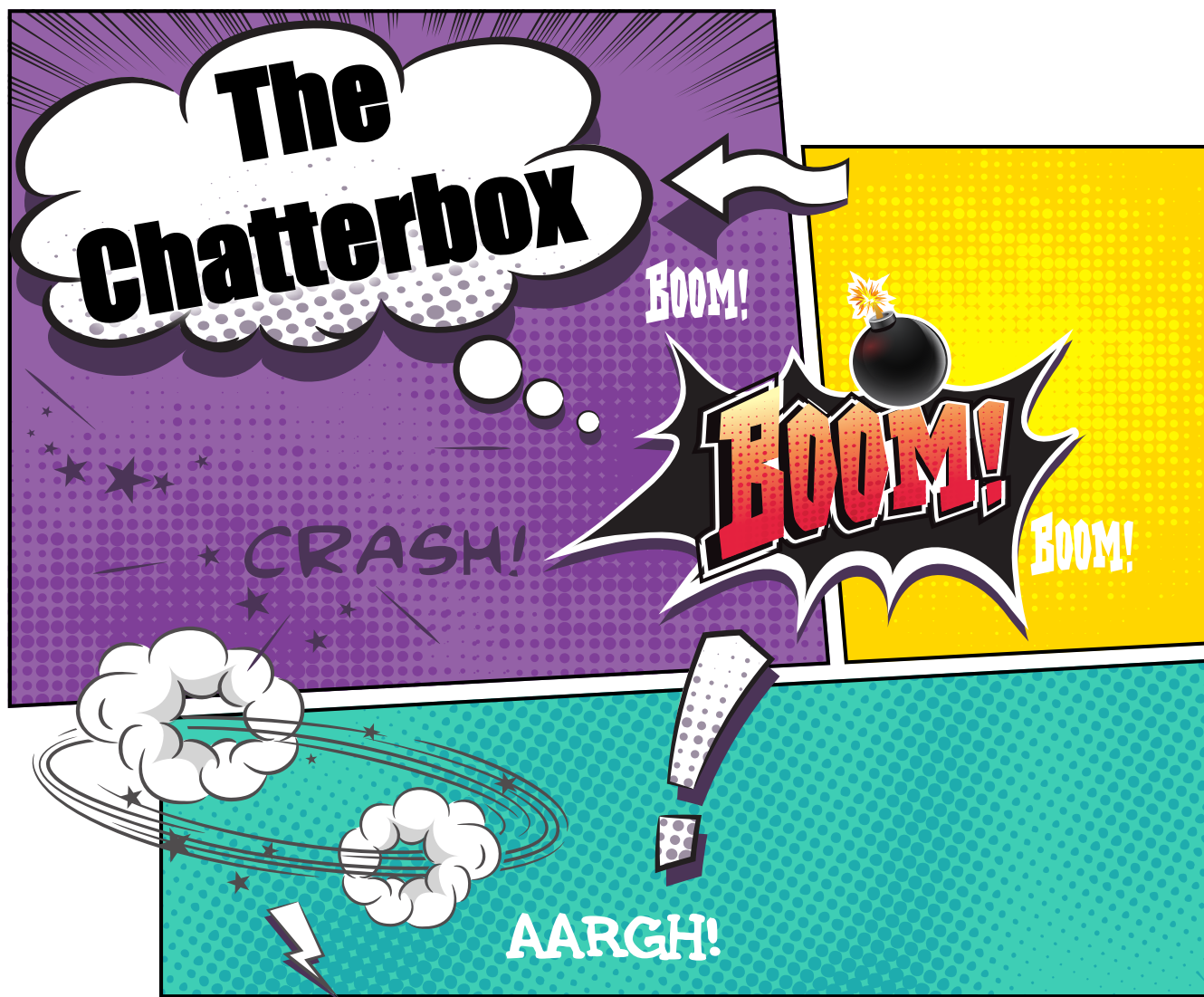
laws that “remove obstacles to the launching of the long awaited privatization of major state-owned companies.” Specifically, these amendments simplify the procedure, permit the government to engage external advisors for strategic privatizations, and prohibit the participation of certain bidders in the privatization (including those registered in low-tax jurisdictions or “aggressor states,” as well as companies under sanctions and their affiliates). Importantly, according to Sayenko, the law now permits the use of international arbitration in privatization disputes. This is a wise move, as many potential investors “not keen on the prospect of litigating against the Government in a Ukrainian court.” These changes are driven by the State Property Fund of Ukraine, headed by Igor Bilous – a former UBS investment banker “who definitely knows how to sell businesses to foreign investors.”

Although it’s still early, there’s also quite a bit of discussion around the need to update the legislation governing the operation of limited liability companies, which, Sayenko explains, is the most popular corporate form. The Ukrainian Ministry of Economy is working on a draft law that will introduce wider discretion for shareholders to establish the most appropriate corporate governance rules for private companies, and improve the protection of minority rights, liability of directors, transferability of shares, the proper framework for shareholder agreements, and exit rights. “The approach/spirit in which it is being drafted is also important to keep in mind,” he notes, adding: “The Soviet approach was full of mandatory rules, whereas the new one is a lot more oriented towards a freedom of contract and greater flexibility for the shareholders to decide how to run the company.”

Another interesting update that Sayenko points to is the long-awaited increase of merger control thresholds that enter into force in May 2016. Coupled with an improvement of nexus requirements, this eliminates most merger filings, which did not have any impact on competition in Ukraine but nonetheless had to be cleared by the Ukrainian Antimonopoly Committee under the old regime. “This is a great relief for multinational companies, which also received an option to report their past violations in the quasi-amnesty procedure to clean up corporate history. Taking into account greater transparency, predictability of fines, and other the practical improvements introduced by the Ukrainian competition agency, the recent reforms in the competition law area can really be viewed as a success story.”

### We’d like to thank the following for sharing their opinions and analysis:

- Marija Bojovic; Partner; Bojovic & Partners
- Agata Jurek-Zbrojska; Counsel; Hogan Lovells
- Vyacheslav Korchev; Senior Partner; Integrites
- Vefa Resat Moral; Managing Partner; Moral Law Firm
- Zoltan Nadasdy, Budapest Office Managing Partner; Noerr & Partners
- Octavian Cazac; Partner; Turcan Cazac
- Vladimir Sayenko; Partner; Sayenko Kharenko
- Korab R. Sejdiu, Managing Director; Sejdiu & Qerkini
- Gints Vilgerts; Partner; Vilgerts
- Erik Steger, Partner; Wolf Theiss



David: Radu, we've agreed to start a new feature in the magazine: a discussion between you and me summarizing our understandings of and impressions from the news in CEE since our last issue. Since we report on significant deals on the CEE Legal Matters website every day and stay on top of what's happening by means of our regular conversations with lawyers in the region (both related to putting together the magazine and for any number of other reasons), perhaps our 20,000-foot (American-ism!) perspectives on what's happening would be useful.

So I'll start. The fall-out from the big changes at Tark Grunte Sutkiene in Estonia (see page 14) continue to fascinate me. As we discovered and reported last year, the Baltics can be seen as CEE in a microcosm, and watching the evolution of these legal markets from happily independent, to cautiously connected, and now dominated by ever-stronger pan-Baltic networks and firms is really interesting. The decision by Tark Grunte Sutkiene to tie up with Baltic Legal Solutions' Vilnius office several years ago seems to have started this ongoing reshuffling, and the news that just broke that they're going to be merging with Varul's Tallinn office continues that process. Add in the defections from Tark Grunte Sutkiene's own Tallinn team just before the news broke (and just after), and the subsequent announcements that Varul's Riga and Vilnius offices would also be leaving Varul to join BDO Legal and Primus, respectively, and it's a fascinating thing to watch. Just in the past 15 months, we've seen the departure of Lawin, Raidla Lejins & Norcous, Borenus, and now Varul.

The Baltics may be small, but the furious amount of maneuvering and strategizing in those legal markets is highly engaging.

Radu: I can see why. The latest reshuffling prompted one Partner in the Baltics to describe what you call a "microcosm" as "one big swingers' club." Another (see Buzz on page 14) described how it's like he's sitting in a cinema these days watching it all unfold. I'm not sure if it's a matter of one move prompting the others. In fact, the same Partner in the Latvian Buzz argued that it might be more a matter of firms scrambling in an increasingly smaller market to elbow their way to the top, and re-arranging these alliances, in their view, holds out the promise of allowing them to hit the reset button on some of their perceived internal challenges.

I think also think that Estonia is all the more prone to this. On my last trip to Tallinn I learned that the Bar there promotes a very transparent market by keeping members (and, implicitly, the firms) apprised of lateral moves (indeed, if memory serves right, I think they are required to notify the Bar of all levels of lawyer moves), team size, and so on. I think with that increased transparency, the "grass is greener on the other side" phenomenon is even more powerful there, perhaps raising some questions as to whether a new alliance would be more beneficial there than in other, more opaque markets.



In terms of what else is catching my eye, the Panama Papers is something widely covered in the media, and it is interesting to see the different types of waves the story is causing in CEE jurisdictions. While Russians are reported as “unfazed” by the news that members of Putin’s inner circle are listed, Ukraine, a country that was reporting positive reforms on all fronts, including the judicial, now sees its President, Petro Poroshenko, in a political storm that includes calls for his resignation. In a different type of aftermath, in Austria it seems to have prompted a conversation among lawyers as to what it means to be compliant in terms of the client work you take on (see Buzz on page 20).

David: Speaking of Austria, it’s pretty clear that HETA remains pretty much all anyone’s talking about. I was disappointed to have a fascinating interview I conducted with one of the key players put on the shelf at the last minute, but perhaps we’ll be able to run it down the road. In the meantime, Friedrich Jergitsch from Freshfields took the Austrian Guest Editorial slot in this issue to talk pretty much only about HETA, and everyone else we’ve spoken to in the market focuses on it as well. I’ve never seen one such issue dominate the conversation in a jurisdiction for so long. And of course there’s the continued tension between Russia and Turkey – which is facing challenges on multiple fronts at the moment. I was also intrigued by the conversation in the Hungarian Round Table you organized about the aggressive steps taken by the Hungarian government to retake control of its Energy sector, and some of the concern about what the ramifications of that have been and are. Still, we shouldn’t be all doom and gloom. The region – including Hungary – is continuing to rebound on the whole, especially perhaps in terms of real estate, and we’re continuing to report stories on the website involving cross-border investments within CEE, most notably of course coming from Poland and the Czech Republic.

Radu: Not just rebound. With Romania’s GDP growth forecast at 4.2% for 2016, Poland’s at 3.5%, Hungary’s at 3.2%, and Latvia’s at 3.1%, the region is growing at a faster rate than almost anywhere else in Europe (Ireland, at 4.5%, is leading the pack in the European Union). As I noted in my editorial in this issue, it is particularly encouraging – and this is, as I mentioned, a feeling echoed by many lawyers in the region – to notice that investors are seeing through the static of (geo-)political debates and simply focusing on the opportunities that promise best returns. Do I believe CEE will return to its “sexy” status of the 90s? Perhaps not. But the ever-expanding strength of CEE regional firms that we’re noticing shows, I think, that the region, and the legal industry here, is more than on the rebound. It is rather on a healthy trajectory for growth – or am I being too optimistic?

David: Yes, you probably are. Russia of course is suffering, and despite Kinstellar’s recent announcement that it would be opening an office in Kyiv, I think even you would agree impressive growth in Ukraine is probably unlikely anytime soon. Add in some of the smaller markets like Moldova, Kosovo, and Bosnia, and I think the region is still a mixed bag, at best. Anything else caught your attention in the last few months, in terms of deals, moves, or other news?

Radu: Combining your observation about Ukraine and Russia and their conditions and your question about other observations, I think one of the things that we do not cover on the website but which is interesting to note is the amount of promotions going on in these markets that we do not capture. What I mean is that, as I hope our readers would know or have noticed by now, we cover news only involving Partners or Heads of Practice. Unfortunately, we’ve had to turn a blind eye to the large number of press releases we’ve received in recent months from Ukraine and Russia about “promotions to Counsel” – which we simply don’t cover. That news does, however, show that, even in these troubled economies, the firms are developing, and I tend to think of those promotions to Counsel as a “I can’t really make you Partner just yet but here you go, ta-daa: Career growth!” phenomenon.

Linking the above to some of the other things that are keeping us busy these days, it is interesting to see that arranging for career growth in order to retain top talent is not just a private-practice-world concern. It is one of the topics that in-house counsel have asked us to address in our upcoming GC Summit as well.

David: Ah, smooth, way to slide that reference in. I approve. One last note from my end. One day this week, just as we were putting the finishing touches on this issue, I received three emails – on the same day – alerting me to deals involving CEE companies (AmRest, Medort, and EPH (advised by Dentons, CMS, and Hengeler Mueller)) making significant investments in Germany. This is a trend we’ve been hearing about for a while, but to have news of three such deals come across my desk on the same day was beyond unusual. That’s got to be a good sign.

# Inside Insight: Interview with Sergei Stefanishin, Head of Legal CIS and South East Europe at DHL



*Sergei Stefanishin became the Head of Legal CIS & SEE at DHL in Moscow in November 2015. His previous experience includes working for EY, first as a Director and later as a Partner and CIS Transactions Law Leader. Prior to EY he was the Head of the Moscow Representative Office of Bech-Bruun International, which he joined as a Senior Lawyer in 2001. Earlier still, he was a Senior Lawyer with InSpace Consulting and a Junior Lawyer with Baker & McKenzie.*

**CEELM: What prompted the move to DHL from EY?**

S.S.: All in all, I've spent 19 years in legal consulting. I started working with Baker & McKenzie back when I was a law student. I found it a great learning opportunity as I was combining work with my studies. I first worked there as a paralegal and, after graduation, I became a Junior Lawyer. Then I moved to a Russian law firm specializing in space and telecoms. In particular, I represented the Russian Space Agency on the first two space tourism flights, which to date I still consider to be the greatest legal project of my life. It was the first time a civilian went to space as a tourist – a very interesting project since there was no precedent for it.

Then I moved to a Danish law firm – a team that I joined as a Senior Lawyer and later became Head of its Russian practice. Next I moved to EY as a Senior Lawyer and then, soon after joining them, I became a Partner in the legal ser-



vices group. As a Partner I spent 5.5 years with EY working as the CIS Transaction Law leader. During my time there, I also established and headed a dedicated group of lawyers providing legal services for life science clients.

**CEELM: Why did you decide to move in-house?**

S.S.: It was a bit difficult but well-thought-through decision. I had a feeling that I had already spent too much time in consulting, which was great because it allowed me to work on different projects, with different clients – today life sciences, tomorrow TMT, next week corporate – but did not allow me to see the actual results of my work. Yes, arguably a contract, or a concluded deal, are the results of your work but I felt it should be something more tangible, so I thought I should try myself in a completely new world. And for me, that meant moving to an in-house role.

So a while ago I thought that I'd like to

both upgrade my legal skills and knowledge but also get some insight into the business side – which is part of the reason I enrolled in a joint program of the Northwestern University School of Law in Chicago and IE Business School in Madrid that combines an MBA and LL.M. Upon my graduation in the summer of 2015 I started looking for a job and was lucky enough to be invited by DHL to join their team.

**CEELM: What was it about the company that excited you the most?**

S.S.: First it's the fact that it was a truly global company – maybe one of the most global ones out there. Second, I am responsible not only for DHL Express (the most commonly known area of business) but also for some other areas such as global forwarding, freight, e-commerce, and supply chain – all in all a very diverse scope of responsibility that I found quite exciting.

I will also say, the feel is very different

now that I only have one client – well, there's different businesses involved but it really just feels like one big client for me. I love that I get to act as a real business partner with my colleagues in ensuring that the projects we implement are in full compliance with relevant law.

**CEELM: When you talk of the different feel of being a business partner – how does that translate in practice?**

S.S.: The best way to describe it is what I noticed in my consulting days when I was talking to different companies who were a bit reluctant to see legal consultants joining their in-house legal teams. I know they dreaded having to deal with long notes and a lot of disclaimers ... and still end up needing to make a decision on their own. During my consulting times I benefited from having some great partners around me who taught me to really help and partner up with the clients and support them beyond a mere "here are the risks to keep in mind," but also help them actually make the right decision.

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*"Yes, arguably a contract, or a concluded deal, are the results of your work but I felt it should be something more tangible, so I thought I should try myself in a completely new world. And for me, that meant moving to an in-house role."*

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When working in-house, this becomes a vital part of your day-to-day work. Your colleagues from senior management really expect you to step in and take responsibility in picking the right option to move forward. It is not the case that I rely on someone else to decide on my behalf, and this is a new level of responsibility which I have to take on here. This brings a great appreciation for the job for me.

**CEELM: On that note, how did you discover you needed to adapt the manner in which you were talking about legal matters to business people?**

S.S.: I wouldn't say there was a dramat-



ic change, since throughout my previous experience when talking to clients I was often talking to CEOs, CFOs, investment officers, or board members. As a result, for me it was not that difficult to cope with being a board member with DHL. When I joined DHL I made a plan for myself as to what I needed to do for the first couple of months. I decided I needed to understand how the actual business worked. For me, this is key to do even when starting to work as an external consultant with a new client – but it is especially critical as a new General Counsel.

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*“When working in-house, this becomes a vital part of your day-to-day work. Your colleagues from senior management really expect you to step in and take responsibility in picking the right option to move forward. It is not the case that I rely on someone else to decide on my behalf, and this is a new level of responsibility which I have to take on here.”*

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**CEELM: So what was the first step you took to achieve this?**

S.S.: What I did first is approach the Operations Director and say: “Look, I need to see how the business works and learn the specifics.” His answer was simply: “Do you have 3 days?”

As a result, I then had a very intensive crash course in the DHL world. My first day started with a ride with a courier delivering the packages and he’d explain how it works, how the shipment is registered, filling in the bills, and all these specifics. I then returned to the station and was shown how the shipping process works, how they are organized, how they are moved to the airport, etc. My brain was about to explode because I was receiving so much info from my colleagues by this point.

I met people from finance, operations,

billing, customs, security – all very useful for me to understand how the business worked from the inside.

**CEELM: What about your induction to the legal team?**

S.S.: In the region our team is not that big compared to others: We have 5 people working in the CIS region on the DHL Express side plus two or three lawyers on the other businesses (Global Forwarding and Freight). But the core team is five, including myself.

We started with an introductory meeting. One of my colleagues is working outside of Moscow so I had to take a trip to St. Petersburg to meet him (you really need face-to-face sit-downs rather than just calls and e-mails). The team is really great, and all of my lawyers have been working for quite a long time with DHL. The team was already in place, and the professionals here knew how the business worked, making it easy to adapt myself to the new environment. I’m very grateful that there’s a team in place like the one I have.

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*“When I joined DHL I made a plan for myself as to what I needed to do for the first couple of months. I decided I needed to understand how the actual business worked. For me, this is key to do even when starting to work as an external consultant with a new client – but it is especially critical as a new General Counsel.”*

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**CEELM: Will you restructure the legal team?**

S.S.: No major changes are planned in the short term. What we’ve tried to implement recently is to communicate with and adapt to other departments a bit better. We’ve split responsibilities and made our focuses clearer for other departments, so they know that if they have

a particular inquiry on, let’s say tenders, there is a specific person they should go to because she’s very good on tender or procurement legislation. At the same time, I always tell my colleagues that they should not hesitate to write me if they are in doubt, and I will involve the best person within the team. We don’t put that identification burden on the shoulders of our colleagues, but it is also helpful to know that you have a point person for specific areas.

**CEELM: What were the first couple of weeks in the office like? What were the first things you had to learn and what was your first significant project?**

S.S.: For me it was more important to learn the business and meet the people (both in the core Express and other businesses, but also outside suppliers and the like). I spent time meeting with CEOs and Board members to get to know them and get to know their needs. Also I had to plug into the day-to-day work right off the bat. More notable was the compliance work that I have to supervise and implement as a country compliance coordinator – I had to verify the existing processes and policies that the company was running under.

Another big part was related to personal data protection since Russian law has changed in that area and there are quite a few updates, and the state is carefully looking at compliance on this front. If I were to call it a project, this is likely “the biggie” for us now, as we need to implement a few projects/policies to make sure we are compliant.

**CEELM: What were the main compliance objectives you set out to achieve?**

S.S.: We have a special global compliance program that all entities have to implement regularly and maintain regularly. I have to make sure this is implemented by the relevant group heads. It is a “yes, we have done what is required” bit of routine work, but at times I also need to adapt global compliance directives to local rules in Russia or other markets, and that does require you to focus on them slightly differently at times.

Radu Cotarcea



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\*Acritas Global Elite Law Firm Brand Index 2013-2015.

# CEE GC Summit Update:

## Anti-Corruption Sensitivities for Multi-National Players in Emerging Markets



With preparations for the CEE Legal Matters Second Annual General Counsel Summit at full speed we're adding new exciting speakers to the agenda on an ongoing basis. One such speaker is Gonenc Gurkaynak, Managing Partner of ELIG, Attorneys-at-Law. CEELM reached out to Gurkaynak to learn more about the presentation he intends to make at the event.

**CEELM:** The topic you'll be addressing to the room full of CEE Chief Legal Counsel is "Anti-Corruption Sensitivities for Multi-National Players in Emerging Markets." Why did you select that?

**G.G.:** Corruption is a term which is susceptible to both economic conditions and to culture. As geographies shift, so do the perception and methods of corruption. This should be reflected in the tactics multi-national companies use to tackle corruption in emerging markets. Even the

simplest anti-corruption principles with regards to compliance programs reflect this understanding: one size does not fit all. I look forward to discussing what a compliance officer based in the USA, the UK, or Europe should be mindful of when conducting activities in an emerging market like Turkey.

**CEELM:** You'll be focusing on multi-national companies, but do you find that there is some convergence in terms of the practices employed by them and local companies in emerging markets? If so, what's the driving force for that in your mind?

**G.G.:** There is most definitely a convergence in the practices of companies in emerging markets and multi-national companies. I would attribute this to the increasing number and geography of cross-border anti-corruption law enforcements within the last decade or so. Such rigorous enforcement keeps the multi-national companies vigilant and, as a result, wherever they engage in transactions, they bring with them a certain anti-corruption culture. Local companies in emerging markets both imprint this awareness of corruption and keep an eye on their own reputations out of a concern that multi-national companies may not choose to work with them. On the other hand, the more local companies engage in international transactions, the more they risk falling afoul of various jurisdictions' bribery laws. Hence, local firms in emerging markets, to the best of their ability, have begun mimicking multi-national companies in terms of anti-corruption law compliance.

**CEELM:** Without giving too much of your talk away in advance, what are the main "sensitivities" you expect to cover?

**G.G.:** As we discussed earlier, the perception of corruption and how corruption occurs differs from culture to culture. The strength of the legal framework (in terms of both legislation and enforcement) also has a lot to do with defining the risks multi-national companies should



expect to encounter in emerging markets. I will focus on how to fine-tune their anti-corruption efforts and how to familiarize themselves with the perceptions and common cultural pitfalls in terms of corruption. For example, due diligence steps and requirements may differ, and crucial elements of compliance programs such as trainings, leadership, and policy documents may also differ.

**CEELM: If you could leave members of the audience with one critical take-away after your presentation, what would you like it to be?**

G.G.: In a nutshell, the motto would be one size does not fit all. As the geography changes and as the legal and political climates change, so should the methods of fighting corruption. Multi-national companies should recognize that preventing corruption in different jurisdictions, particularly in emerging markets, demands added value in terms of adaptation.

**CEELM: Finally, what are the aspects of the upcoming GC Summit that you're most excited about?**

G.G.: I am very much looking forward to the exchange of ideas between a broad range of experienced legal profes-

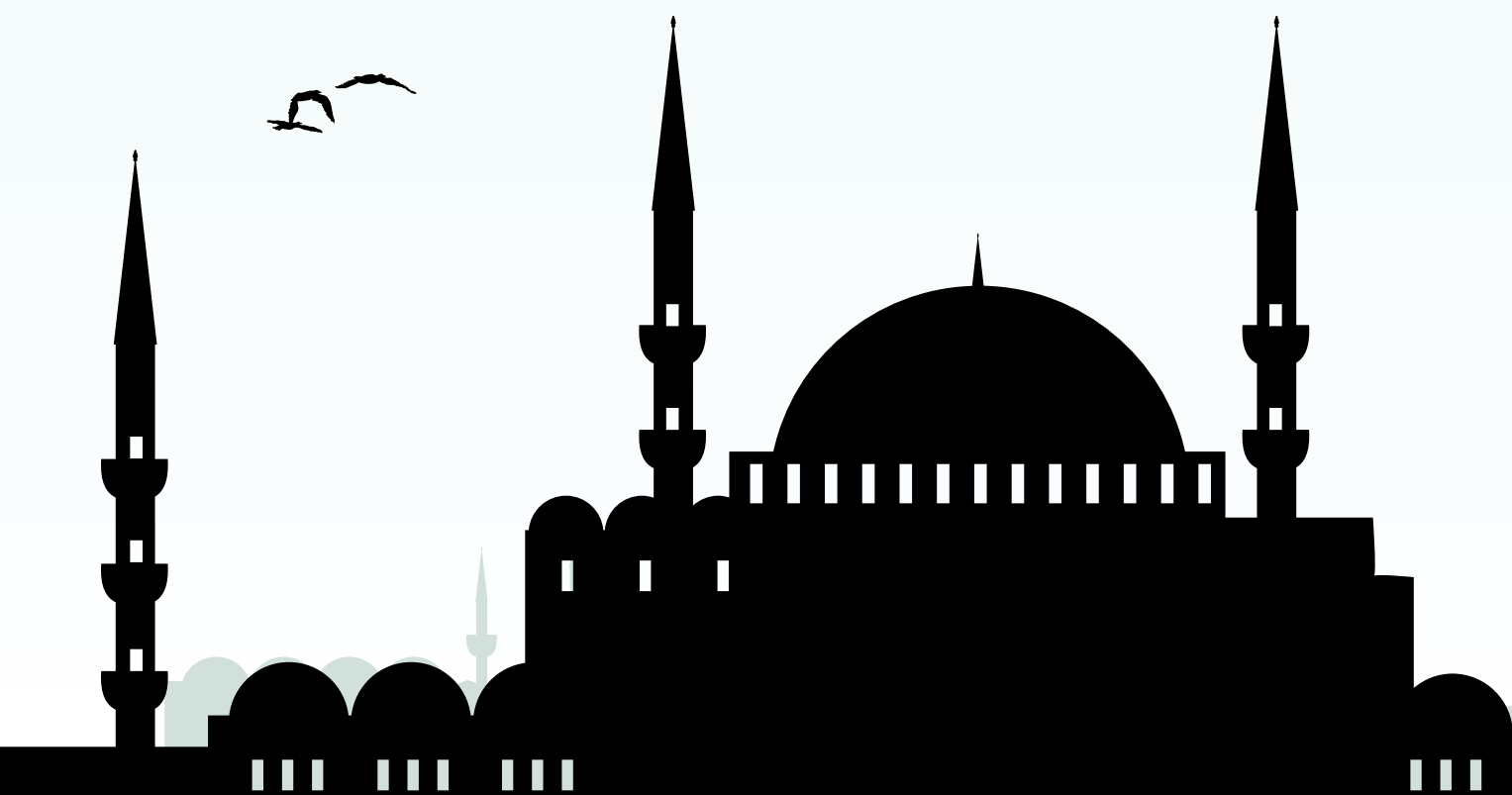
sionals. The legal frameworks and anti-corruption principles might be the same for all of us, but we all accumulate different experience in the field. I am particularly interested in the interaction of methods between the in-house and outside counsels. I am also looking forward to welcoming delegates to Istanbul for the event in October 2016.

**CEELM: On the lighter side and since you mentioned welcoming regional participants to Istanbul: While we have a rather full schedule, what spot is a must see for those in town for the first time?**

G.G.: I have always admired the historical places in Turkey, especially in Istanbul. I would urge a first timer to go and visit the historical peninsula. I would say that Hagia Sophia Museum, Topkapi Palace, Blue Mosque, Basilica Cistern, and Grand Bazaar are the must-see places in the peninsula.

If you have more time and have the opportunity to leave the city I would also suggest Cappadocia to enjoy the unique terrain.

*Radu Cotarcea*



# Creative Solutions in a Critical Cause: Women in Law Firms





## Introduction

Back in the second issue of the CEE Legal Matters magazine, in April 2014, we published an extended report on the number and percentages of women at ranked law firms in each country in Central and Eastern Europe and across the region as a whole. At the time, we reported that 53% of Associates at those firms were women but only 26% of the Partners were. To learn what steps law firms in CEE are taking to keep women associates in the profession and assist them in making their way towards partnership, we reached out to them with an invitation to share details of unique and special formal programs, initiatives, and structures they have in place.

This is, we should emphasize, a report on some of the formal and creative initiatives, and thus although we received dozens of informative messages from law firms describing policies that are made available on a discretionary basis, and dozens more emails from firms describing their commitment to female lawyers by pointing to admirable male-to-female ratios or significant awards for their hiring, promotion, and training policies, none of them is included in this article. We do not doubt their commitment, and we appreciate the time they spent drafting their summaries, but we're focusing on something different here.

Similarly, a large number of firms sent us details of laudable policies related to maternity leave (extensions, salary policies, gradual return to work adjustments, etc.). These are also commendable, and it was educational to read them. Almost every firm that wrote to us pointed to such policies, but, again, they are slightly outside the focus of this report.

Instead, what follows is a sampling of the interesting and creative formal policies some firms in the region have put in place to facilitate the professional development and career growth of the women who work within them. Here are some of the more intriguing policies we learned of, presented in no specific order.

## International Firms

We'll start with the international firms, which have large numbers of female



lawyers working across the region – and the world – as well as the ability to devote significant resources and dedicated HR teams to helping them. We're noting which of a firm's offices sent us the information, as in some instances not all the programs are available in all offices.

### Debevoise & Plimpton (Russia):

In addition to the firm's own website, which has a section dedicated specifically to "the women of Debevoise, touching upon leadership, flexibility, and overall success and recognition of our women," the firm recently launched the Debevoise Women's Review, a second, external website, "dedicated to spotlighting topics of interest to professional women, including the achievements of our own Debevoise women and alumni, the initiatives and successes of our clients and the work of fellow women lawyers and advocates around the world."

### Allen & Overy (Czech Republic):

The Allen & Overy website has a section dedicated to diversity in A&O.

The Prague office puts together an annual BD event for female clients. The last one was attended by some 40 clients.

The firm provides three months of unpaid leave, job sharing arrangements, and a two-year career break, for both male and female lawyers, available simply upon request. It also promotes its "20:20 Initiative", dedicated to reaching the goal of having 20% women partners by 2020 (with Senior Prague Corporate Associate Magda Pokorna on the working group). A&O launched flexible working arrangements for partners in 2010 as an "innovative way to retain more women through to partnership." The firm reports that "part-time partnership is one of a number of measures being introduced to improve retention and grow the partnership pool."

In 2008 the firm launched parents@A&O, a virtual networking tool available to all A&O working parents globally, enabling them to share ideas and advice on parenting issues and to access relevant information. The firm also provides emergency childcare, specialist coaching for women going on maternity leave, and lunchtime parenting seminars.

## The Importance of Culture

*"At my previous employer we had it all written down, lots of well written policies on how the firm supports women – female lawyers in particular. We had a women's initiative, which organized nice events both internal and external – very supportive of women, always had nice positive feedback. We had trainings, mentorings, and conferences. And yet, out of 20 lawyers that work for that office of that law firm, there is not a single woman who was married or who had children. During the five years I worked there, there were 4 female lawyers (two partners, one senior and one mid-level associate) who left the firm after a child was born and went to work for another law firm. And this is not to blame one firm and praise another. But it is somehow ironic. It takes a lot more than to have a policy in place. At first you need to create an actual working environment where such a policy can work."*

*– Name withheld by request, Head of Local Office,  
Regional Law Firm*

### Baker & McKenzie (Austria):

Women's Law Forum: Baker & McKenzie in Germany and Austria founded the "Women's Law Forum" in the fall of 2010 together with the Faculty of Law of the University of Munster to "spur the careers of up-and-coming female attorneys, offer them a platform for exchange and bring them closer to their dream career." Women's Law Forum events bring together "up-and-coming female attorneys with experienced female lawyers from various occupational fields," to "talk about their own career paths, provide educational tips regarding dissertations and the study of law, demonstrate the relevance of a solid knowledge of foreign languages for their daily work life and discuss how to balance career and family in today's job profiles."

Women Mentoring Sponsorship Pro-

gram: In this program, "an experienced (female) partner acts as a sponsor for a female junior attorney," to "serve as a contact person, in particular for questions relating to career planning and the exchange of best practices."

Gender-Specific Training Program: The firm offers diversity-specific events for its female attorneys, including training measures, information sessions, and lunches. In addition, under the heading "Unconscious Bias Training," the firm "offers workshops and events focusing on the elimination of bias against women."

Business Women: The "Business Women" initiative is a networking platform for present and potential female clients. The objectives are as follows:

- Networking: Female attorneys are provided with a platform to make new con-

tacts both within the firm and with female clients and to intensify and cultivate existing contacts.

- Transfer of know-how: During the events, Baker's female attorneys have the opportunity to exchange experiences, ideas, and information with present and potential female clients.

- First-hand tips, strategies and recipes for success: Within the context of presentations given by external female speakers and female Baker attorneys, the firm offers first-hand tips, strategies, and recipes for success.

### Dentons (Czech Republic):

Last year Dentons' Europe Region amended its Constitution to enable the direct appointment by the board itself of one board member to ensure diversity of representation.

The firm has launched a Europe-wide women's mentoring program to encourage women partners to mentor and coach

their female colleagues, share their experience, and serve as successful role models.

Dentons has created a network of 50 Diversity Ambassadors from 20 European offices to engage its people in creating a more diverse and inclusive working environment. The ambassadors tackle a number of diversity issues, including issues related to women and leadership development.

The firm also does pro bono work for the Fight Against Sexual Violence Association for sexual crime victims.

### Freshfields (Austria):

Mentoring Program: "An important element of our gender diversity activities is our mentoring program for female associates. On a voluntary basis, associates can select one partner for a pre-defined period as their mentor. In regular individual and confidential conversations amongst mentee and mentor the mentor will be available to discuss client situa-

tions, career steps, any topical issues or other situations relevant to and chosen by the mentee. The mentorship is designed to be a platform intended to enhance both, cultural adaptation of the firm towards increased diversity as well as female associates' progress in their careers."

Gender Specific Training: "We offer a variety of gender specific trainings with a focus on topics which have been thoughtfully put together with active participation of our female associate group. On a strictly voluntary basis, our female associates can participate in these sessions predominantly being directed at enhancing and developing a variety of leadership skills. More senior associates have the opportunity to build upon these trainings in individual coaching sessions."

Best Practice Exchange: "All offices have internal and external meetings such as Ladies Lunches or Women's Evenings, which appear in a variety of formats and often open up to participation of associates of other offices or external speakers or visitors. Only two weeks ago, the female associates in Vienna organized the second Freshfields' Ladies Lounge, where a panel of women with fantastic careers discussed the topic 'Woman in leadership positions.'

Global Women Partner's Conference: In April 2016, the firm held its third global women partners' conference.

### Greenberg Traurig (Poland):

The Warsaw office was a partner in the "Diagnosis of Poles' Professional Burnout" conference, which was designed "start an inter-professional debate on job burnout, its causes and effects, and structural solutions that could be implemented in Poland." Shareholder Agnieszka Stankiewicz participated in the conference on behalf of the office and took part in a panel discussion on the subject of "Women's Success in Business and Professional Burnout." Stankiewicz described the subject as especially relevant now: "These days, with more women in the labor market, especially in careers involving big responsibility, their exposure to professional burnout syndrome is increased. In my almost 20 years of professional experience I have witnessed the impact of professional burnout on life

## Formal Programs and Initiatives Aren't the Only Way

*"Our Equality and Diversity Policy covers our policy towards women and sets out our commitment to a work environment which promotes equality for all our staff. We provide equal employment opportunities to all qualified applicants and recruitment and promotion decisions are based on merit. The proportion of female to male staff is balanced in favor of women (i.e., 60% of our staff overall and 50% of our legal staff are women). Although legal work is demanding under the best of circumstances, we promote a healthy balance between our fee-earning staff's work and personal lives, for both women and men. Flexible working arrangements are available where necessary or appropriate."*

— Name withheld by request, HR Manager,  
International Law Firm

## You Gotta Mean It

*The key, according to Marcela Hogenova, Office Manager at Allen & Overy Prague, is that a firm genuinely support requests by associates to take advantage of policies made available to them, without any kind of push-back. “One of the primary benefits of [Allen & Overy’s] 20:20 Initiative was that the firm started fully supporting associates in taking advantage of the options provided to them, without any kind of judgment or critical evaluation.” As a result, Hogenova reports, the firm’s lawyers became more confident, and their engagement improved. Instead of asking, “are you sure you want to do that – to take a break from your career?”, the firm actively supports their choices so that applicants do not feel they are making a mistake in taking advantage of them. Hogenova has been asked to speak to several other multi-nationals in Prague on the subject.*

and health, therefore I am glad that I was able to participate in a conference aimed at boosting interest in the problem in various circles and promoting good practices followed in various parts of the world.

### CMS (Poland):

CMS has created the CMS Women’s Network, which aims to inspire and support the development and retention of talented women in all business areas and at all levels within the firm through networking, relationship-building, career development and client-facing business development activities. The Network organizes internal networking sessions and client events, each one focusing on a topical issue relevant to its aims. The firm also has a dedicated contact person for CEE markets to smooth communication and operations within the region.

### White & Case (Czech Republic):

The firm promotes its “Women’s Initiative Network” via a dedicated section on

the White & Case website. The Network leaders regularly hold conference calls “to discuss ideas, challenges for women lawyers in the regions in which the firm works, and strategies to address them.”

Every year, White & Case’s Bratislava office organizes an event supporting women in business, including, in the last two years, the following events:

- 2015: “Professional Identity & Creative Dress Code” – a summer workshop, led by a professional stylist and fashion coach who presented some practical yet creative approaches to dressing in the business environment.
- 2014: “Promoting Women in Business” – focused on two topics with panel discussions:

- o Family – Obstacle in the Career – Work-Life Balance
- o Women in Leading Positions – Fiction or Reality?

## Regional and Local Firms

A large number of local and regional firms contacted us to describe their programs as well, but as the vast majority of them are discretionary rather than institutional (see, for example, Box 2), they are not quite within the scope of this article. Still, based on those responses, it appears a large number of firms allow for extended maternity leave, flexible hours for new mothers, and similar options for new parents – often both men and women – trying to negotiate the particular challenges of juggling children and career. But what follows are a few of the institutional (rather than discretionary) programs extended by local firms, as well as several of the more unusual or colorful traditions we learned of.

### Kolcuoglu Demirkan Kocakli (Turkey):

The firm actively supports the legal needs of women and their children through an array of pro bono services, including providing assistance to KEDV (the Foundation for the Support of Women’s Work), which “aims to improve the quality of life and economic status of women, while strengthening their leadership role in society, and supporting female entrepreneurs by providing them with small start-up loans.”

### Cobalt (Lithuania):

“Female Managing lawyers and Partners at Cobalt Lithuania are active supporters of women in business, therefore a few years ago we started organizing networking events and/or special greetings for our female clients on the occasion of International Women’s Day. We used to have an event on March 8 to greet and meet our female clients, to offer some nice networking and an inspiring speaker. Later it evolved into sending some special gifts (branded exclusive chocolate, tickets to concerts, etc.) and greetings to our female clients on the occasion of International Women’s Day.”

### Vasil Kisil & Partners (Ukraine):

The firm hosts morning and evening yoga classes for women in the firm two



times a week, hosts occasional “cultural and entertainment programs for children from 0 to 14 years old,” and provides mothers of first graders a day off on the first day of the school-year.

### Varul (now Tark Grunte Sutkeine) (Estonia):

“Each woman’s day we have a joint female lunch on the courtesy of our male colleagues (they take over the secretaries’ desks, answer calls, and fill in for the women). This year however it was a fashion evening with a stylist and catering, etc.”

### Balcioglu Selcuk Akman Keki Avukatlik Ortakligi (Turkey)

As the Istanbul firm now has three mothers about to return from maternity leave, Partner Selim Keki reports, “we have turned towards making the working conditions more comfortable (breastfeeding space, more flexible working times, access to the office infrastructure from home). Some of these are already in place whereas the others have been bundled into a suggestions package and will be presented to the CMP.”

Similarly, Keki reports, the firm “plans to host a forum hopefully within this year, with the aim of inviting representatives of diversity-sensitive business leaders (not more than a dozen) and issuing a diversity charter for Turkey. It will establish a set of rules to which businesses will commit themselves and hopefully carry the idea beyond the legal profession into companies that employ several tens of thousands of employees.”

### Wolf Theiss (Austria):

“Wolf Theiss has responded to this reality by granting highly qualified lawyers the right to reduce their workload for a few years following the birth of a child. Wolf Theiss has pursued this policy for the last ten years to prevent lawyers in whose development the firm has a long-term investment from having to change careers when they become parents. This policy is flexible, and lawyers can work more or fewer hours, according to their needs as parents and the current caseload at the firm.”

### Turunc (Turkey):

Maternity leave is “as long as you need to be away.” Of course there are statutory limits on paid leave, but even those who stay out longer will still be welcomed back to the firm afterwards.

Kerem Turunc reports that: “I think it’s the duty of lawyers to hire as many women as they can. The female representation in the overall workplace is low – it’s about 25%. And I’m not even talking about underemployment and the pay gap. So we try to hire as many women as we can, to do our small bit. When we choose vendors, in fact, all things being equal, we prefer female vendors. It’s sort of our vendor affirmative action. A lot of companies in Turkey don’t have vendor policies. We have a known – but not written – vendor policy.”

### Conclusion

We were highly encouraged by the number of emails our invitation generated and the enthusiasm with which the firms expressed their commitment to gender equality in treatment and opportunity. The region is clearly aware of the challenges women in the workplace deal with and the importance of creating an atmosphere where they can thrive. We would like to thank these firms and representatives in particular for helping educate us on their activities.

• *Allen & Overy, Czech Republic: Jana Kloudova, BD Manager, and Marcela Hogenova, HR Manager*

• *Asters, Ukraine: Oleg Kirichuk, PR Coordinator, and Irina Chernikova, HR Manager*

• *Baker & McKenzie Divok Hermann Petsche Rechtsanwälte, Austria: Florian Unterberger, PR Manager*

• *Baker & McKenzie – CIS, Limited, Moscow: Ekaterina Kirillova, Human Resources Manager*

• *Balcioglu Selcuk Akman Keki Avukatlik Ortakligi, Turkey: Selim Keki, Partner*

• *CMS, Austria: Kristijana Lastro, Head of Marketing & Communications*

• *CMS, Poland: Katarzyna Forycka, PR Manager, Poland & CEE*

• *Cobalt, Lithuania: Agne Rimeike, Marketing Project Manager*

• *Dimitrov, Petrov & Co., Bulgaria: Bilyana Tzvetkova, Marketing & Business Development Manager*

• *Drakopoulos, Greece: Marietta Vidali, Corporate Communications Manager*

• *Debevoise & Plimpton, Moscow: Irina Lapchenkova, Head of BD and Marketing*

• *Dentons, Czech Republic: Amanda Lowe, PR & Communication Manager Europe*

• *Freshfields Bruckhaus Deringer, Austria: Florian Klimscha, Partner, and Franziska Paefgen, Associate*

• *Glatzova & Co., Slovakia: Veronika Pazmanyova, Senior Attorney-at-Law*

• *Kinstellar: Andrea Illes, Regional Head of HR*

• *Kocian Solc Balastik, Czech Republic: Eva Jonakova, Head of Marketing and Communications*

• *Kolcuoglu Demirkan Kocakli, Turkey: Okan Demirkan, Partner, and Safak Kocaoglu, Administrative Coordinator*

• *ODI Law, Slovenia: Sam Willis, Marketing Manager*

• *Serap Zuvin Law Offices, Turkey: Serap Zuvin, Partner*

• *Tark Grunte Sutkiene, Lithuania: Germanas Kavalskis, Public Relations Manager*

• *Turunc, Turkey: Kerem Turunc, Partner*

• *Vasil Kisi, Ukraine: Olga Shevchenko, PR Manager*

• *Varul (now Tark Grunte Sutkiene), Estonia: Merit Arva, Head of Marketing and Communications*

• *White & Case, Czech Republic: Lenka Fucikova, Marketing & Business Development Manager*

• *Wolf Theiss, Austria: Joshua Davis, Corporate Communication Coordinator*

David Stuckey

# Assisting Client and Competitor Alike: Lawyer and Legal Recruiter Tsvetelina Zlateva



Tsvetelina Zlateva has a unique profile, as the Named Partner at a new Bulgarian law firm – Aldinova & Zlateva, which opened in January, 2016 – and, simultaneously, operator of BPro BG Ltd., which she describes as the only dedicated legal recruiting company in Bulgaria. We spoke with her recently about her uncommon dual role.

**CEELM:** How did you get into the legal recruiting business?

**T.Z.:** The whole idea about legal recruitment was born during my legal practice. Before becoming an attorney, I was a legal adviser at different companies for several years. When I started my private legal practice, some of my former colleagues asked me if I wanted to hire them, but at that point I could not afford to pay them a salary. At the same time some people who were aware that I had many lawyers as friends asked me to recommend legal advisers for their own businesses. That's how the whole thing started.

But I didn't exactly "get into" the legal recruiting business. When I researched how widespread the idea of legal recruitment is in Bulgaria, I discovered that no one had realized the need for that specific kind of HR service. So for me there was nothing other to do than to become the first specialist in recruitment of legal professionals in Bulgaria. This idea was realized in the summer of 2015.

**CEELM:** Do other law firms worry that you'll simply keep the best candidates for your own team and send them only the ones you don't want?

**T.Z.:** There is no need for such concerns, because each client has individual needs and requirements regarding candidate selection. In the first place, the perfect match for my own team might not be the best for my client's team, and vice versa.

In the second place, my legal recruitment firm gives at least six months guarantee that the chosen employee will continue to work for the client after that period expires. That's why I cannot afford to place a candidate who is not the best choice.

Another reason, and maybe the most important one, is that if I don't want some candidate for my own team, I wouldn't submit their application to my client at all.



**CEELM: Why are there so few legal recruiters in Bulgaria?**

T.Z.: That is because no matter how big the companies searching for a legal professional are, they prefer to select their employees by themselves or to use the services of some HR company. Also, they are still not very familiar with this specific service.

But regardless whether the employer has its own HR department or is using an external one – and just as IT recruiters are always people who themselves have IT backgrounds – high quality legal recruitment has to be performed by lawyers. In a store you cannot choose a ripe avocado if you do not understand avocados at all, right?

According to the particular profile of the employee and individual requirements of the employer, in my work sometimes I use an HR consultant to make the necessary team, but that's not common.

**CEELM: Are most of your clients companies or law firms?**

T.Z.: Well, I can give that kind of statistic after at least one year of activity in legal recruitment in Bulgaria. But I can say that my first client was a company with an in-house HR department and they didn't know what criteria to apply and how to appoint a legal adviser. They weren't even sure if they needed an external legal adviser or an in-house lawyer. They didn't know what the difference is.

**CEELM: How are you able to do both your legal recruiting work and your lawyer work at the same time? Is it difficult to wear two hats?**

T.Z.: These two occupations do not exclude each other. In fact, being a lawyer is very helpful in expanding my professional contacts. This is important and relevant about knowing more lawyers in general and reaching people or companies which are looking for legal professionals.

So there's just one hat – and it happens to be more colorful than others.

**CEELM: What's the most rewarding/satisfying part of being a lawyer, to you? What about being a legal recruiter?**

T.Z.: We've all heard about bad and unprofessional things that are happening in the Bulgarian legal system. Some of them are true, some of them are not, but either way for me as an attorney the most satisfying part of the job is when my arguments in court happen to be the same as the motives in the final court decision.

The best part of being a legal recruiter is when the guarantee period under the contract expires and the chosen candidate continues to work for the client. Only then do you know for sure that you've understood and completed the requirements and met the needs of both sides – employee and employer – by finding the perfect profile match.

*David Stuckey*





# Industry Report: Energy in CEE

## Contributing to this Report



Willibald Plesser; Co-Head of the  
CEE/CIS; Freshfields



Arkadiusz Krasnodebski; Poland  
Managing Partner; Dentons



Dimitris Assimakis; Partner;  
Norton Rose Fulbright



Paula Corban-Pelin; Counsel &  
Head of Energy; DLA Piper



Florin Dumbrava; Legal Director;  
Veolia Energy



Melania Amuza; Corporate Legal  
Director; E.ON Romania



Zoltan Faludi; Partner;  
Wolf Theiss

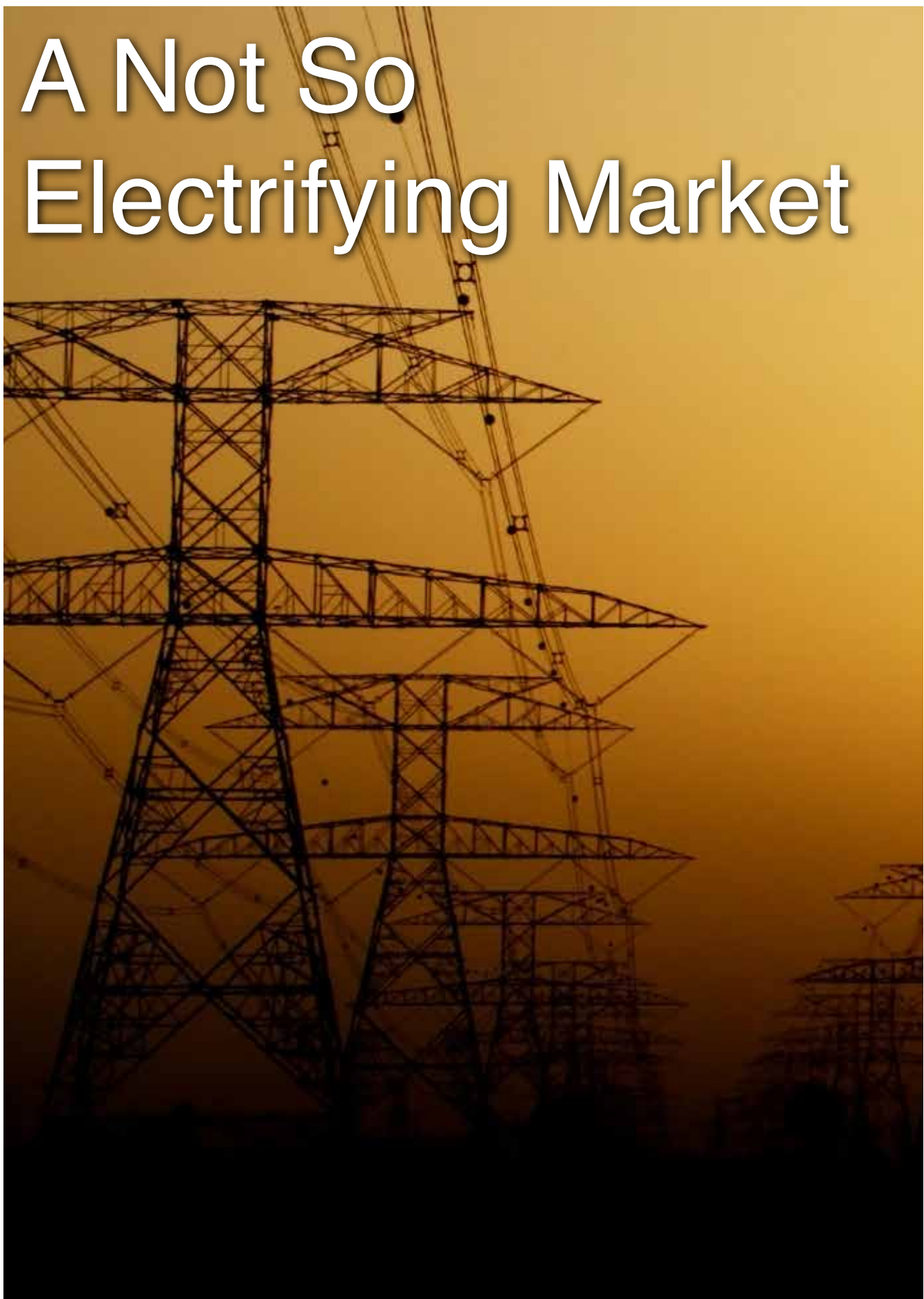




Here's a look at the state of CEE's Energy markets formed from input from leading experts in the sector and our own coverage of the most significant happenings in the sector over the last year and a half.



# A Not So Electrifying Market





## Shrinking Prices and Demand

The overall decrease in pricing and a simultaneous decrease in demand for energy are exerting dramatic pressure on the energy industry right now, according to several of the people interviewed by CEELM recently. According to Paula Corban-Pelin, Counsel & Head of Energy at DLA Piper in Romania, “energy consumption is currently reducing dramatically,” both within her country and across the region. Florin Dumbrava, Legal Director at Veolia Energy, explained that “in terms of the electricity market, there are a lot of new producers [in Romania], leading to strong competition within a market that has mostly unregulated costs.” In terms of thermal energy, “while the pricing is regulated by local authorities (with the write-off from regulatory bodies), operators are faced with ever-decreasing volumes in terms of consumption.” The result is problematic: “Producers wouldn’t mind the low costs if volumes would be high but, unfortunately, a lot of clients have disconnected themselves from the grid these days, and there are no protection systems in place.”

Dumbrava pointed to two causes for the low volumes: “The large industry in Romania – the large production plants – are no longer operating, and the industry sector in general has been demanding less energy.” The latter, he explained, is also attributable to the fact that “large consumers have started implementing efficiency-focused mechanisms in terms of electricity use (such as switching to LED-based lighting solutions in the case of public spaces or industrial facilities, for example).”

This combination might also lie behind the observation by Willibald Plesser, Freshfields’ Co-Head of CEE/CIS, Country Partner for Turkey, and Head of the Energy Sector Group in Austria, that all companies “are fighting with cost-cutting and restructuring needs.” Plesser pointed to several players looking to “sort out their investments in countries such as Macedonia, Russia, Bulgaria, and others, with many already having sold their utilities businesses in Eastern Europe.” Plesser added: “I find that companies in the energy sector are retreating a bit from the region. Examples include

E.ON from Bulgaria and Slovakia. Some are still in the region like EVN in Bulgaria, Macedonia, Croatia, or Statkraft of Norway in Albania. I also feel the market has become a bit more local, and examples are Czech EPH massively buying up assets in the region, or Energopro buying in Bulgaria.”

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*“Producers wouldn’t mind the low costs if volumes would be high but, unfortunately, a lot of clients have disconnected themselves from the grid these days, and there are no protection systems in place.”*

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## The Next Bet: Infrastructure and Hedging Risks

Dimitris Assimakis, Partner at Norton Rose Fulbright in Greece, also pointed to a drop in demand in the gas sector in Greece and said that the solution his country appears to be chasing involves “very ambitious plans revolving around a strategic goal for Greece to become a hub in the region.” This, he explained, would be supported by gas infrastructure projects currently being built or planned, such as the TransAdriatic pipeline.

The strategic goal of building up infrastructure to become a hub in the region exists in Romania as well, according to Corban-Peli, who noted that “Romania is the biggest gas producer in South-Eastern Europe, while making good progress in discovering new offshore fields in the Black Sea.” Nonetheless, Corban-Peli said, “the country needs to invest in the gas infrastructure to make use of its geographical position and resources” – something that must materialize soon as a matter of “critical importance if Romania really wants to play its role in the region.”

The lawyers we spoke to identified two primary drivers of infrastructure developments and investments. The first was suggested by Plesser, who referred to recent reports that OMV’s offer to investors of a stake of up to 49% in Gas Connect Austria is being met with significant interest as illustrating the great interest investors – especially pension funds – are showing in long-term investments such as gas pipelines, which are considered fairly safe and stable investments with attractive profit margins. Corban-Pelin pointed to second driver: the list of 195 key energy infrastructure projects known as Projects of Common Interest (PCIs) drawn up by the European Commission to help create an integrated EU energy market. The European Commission’s website describes these PCIs as “essential for completing the European internal energy market and for reaching the EU’s energy policy objectives of affordable, secure, and sustainable energy.” According to the EC’s website, “PCIs may benefit from accelerated planning and permit granting, a single national authority for obtaining permits, improved regulatory conditions, lower administrative costs due to streamlined environmental assessment processes, increased public participation via consultations, increased visibility to investors, and access to financial support totaling EUR 5.35 billion from the Connecting Europe Facility (CEF) from 2014-2020.” (See Figure 1)

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*“... especially pension funds – are showing in long-term investments such as gas pipelines, which are considered fairly safe and stable investments with attractive profit margins.”*

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But not everyone is excited about the EC’s commitment to an integrated market. An Energy Partner at a major firm in Bratislava who preferred to remain



anonymous explained that the European Commission's efforts threaten "the crucial position of the country as a pipeline for the West from Russia." In his country, he explained, the "development of an alternative stream doesn't seem to be fair, and the benefits do not outweigh the potential losses incurred."

As a result, energy companies seem to be hedging their bets, where possible. Again referring to press reports, Plesser pointed to the OMV asset swap with Gazprom (presumably with the two looking to swap European fields with Russian fields). He explained that "this makes sense to me since it involves both a matter of risk sharing as well as getting away from the expensive production in Europe." Plesser added that there has traditionally been a good relationship between OMV and Gazprom, dating back at least 30 years, tied in part to Austria's strategic role as a gas hub (resulting in part from its excellent gas storage facilities and the existence of the Baumgarten hub). The other part? Plesser notes his suspicion that "there are some political considerations [in Austria] at play ... despite the general trend of sanctions applied by Europe to Russia, maintaining relatively constructive relationships with Russia." He pointed to a recent visit of the Austrian President to Moscow as illustrative.

### Plans, Plans, Plans, and Headaches

As the Austrian/Russian relations referred to by Plesser demonstrate, the strategic and highly regulated energy sector often goes hand in hand with politics. As a result, many of the lawyers we spoke to suggested that they were awaiting considerable framework overhauls in their countries.

Assimakis reported that the main energy market in Greece is waiting for the Ministry of Energy to redesign the electricity

market to conform with a target model, as, at the moment, there is a mandatory pool managed by the market operator that all users and suppliers have to go through in order to service customers. As a result, "practically, there are no bilateral agreements in place at the moment." There is a deadline for the target model's introduction, which, Assimakis explained, means that we'll see a "complete overhaul of the power sector" – but not for some time, as he expects it to be at least 18 months before the new market model is fully adapted.

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***"There are a lot of talks about Romania lacking a solid strategy."***

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While Assimakis reported that there are no real investments from the private sector on new thermal power plants (apart from the Public Power Corporation, PPC, which is planning a new lignite-fired power plant), he said that there are new players coming into the retail market, which is currently dominated by PPC. The prospect of increased competition is at least partially the result of Greece's bailout plan, which mandates a series of reforms in the energy sector. One such reform – for which final agreement is still awaited – is the introduction of an auctioning system to provide other players in the power market with access to more economic production/generation sources such as lignite and hydro, to which only PPC has had access until now.

Romania is seeing its fair share of extensive planning as well. Melania Simona Amuza, Corporate Director of Legal Department and Compliance at E.ON Romania, noted that apart from the "usual

agenda," there have been some updates on the legislative landscape that have kept her busy over the last two months relating to a "massive redrafting of the local energy law." Amuza explained that she "ha[s] been busy revisiting many basic principles of the Energy Law (Law 123/2012)," and that she has "also been involved in a lot of discussions that basically had a business focus and which resulted in the new legal tax that was presented to the Romanian Parliament."

Amuza explained that many of the proposed "legislative updates" involve revisiting some of the principles that "made sense during the period of liberalization of the industry," but that now may no longer be "relevant or beneficial."

Corban-Pelin at DLA also pointed to a wider series of discussions in the country related to Romania's plans for the sector, saying: "There are a lot of talks about Romania lacking a solid strategy." She mentioned a draft energy strategy that was published in late 2014 but never finalized and said that "recently, the new Government started discussions with stakeholders in the field to try to update the draft and figure out the areas in which to invest, which fields are of interest and which not, and so on." She also added that some have questioned whether a formal strategy is even needed to begin with. To back up her personal belief that it is, Corban-Pelin pointed to the plan by the Cernavoda nuclear power plant to add two new reactors, which was made more difficult by the decision of the initial private investors to back out of the project. Recently, she reported, a memorandum was concluded with a Chinese company, and there are now advanced-stage negotiations to finalize the project with them as a sole investor. "There are huge investments to be carried out, and there are a lot of voices claiming that there was no real study to actually figure out if we



**Next Issue's  
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Figure I: Projects of Common Interest

Source: ec.europa.eu

# ALLEN & OVERY



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really need the new nuclear reactors, given that energy consumption is currently reducing dramatically,” Corban-Pelin claimed, explaining that the existence of a clearer strategy for the overall energy sector would have addressed such concerns.

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***“...a change of Government following general elections first put plans related to the renewables sector on hold, and later seem to have changed them considerably.”***

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Indeed, this is only one example of a state that seems to be moving sluggishly in defining its goals. Dragoljub Cibulic, Partner at BDK Attorneys at Law, reported that Serbia is also lagging behind on its restructuring of the gas sector. He explained that Serbia has one state-owned gas utility company, which was not restructured despite being required to do so five or six years ago. “We only started the process,” he said, “and once we did, the energy community was really appreciative of our efforts initially, but a few years down the line, no real progress was made.” He referred to the chance that this failure to complete the restructuring will lead to some form of punitive sanctions in the near future.

But even when the appropriate schemes are in place, energy companies still face challenges. Florin Dumbrava, Legal Director at Veolia Energy in Romania, noted that Veolia Energy’s activity in thermal energy production is thoroughly defined and regulated by the ANRE (the Romanian Regulatory Authority for Energy). Dumbrava reports that his company is required to communicate its energy production numbers to ANRE, after which the regulatory body verifies whether or not the company was overcompensated for the previous year – a process he called “the overcompensation methodology.” This process, as Dumbrava described it,

represents “a considerable headache” for high-efficiency cogeneration suppliers, in particular private ones, with the companies constantly being “contested as overcompensated.” He believes that “the methodology is flawed, since it does not take into account all the costs that operators are facing, especially for those that hold their plants in concession because they do not count these assets into the asset base.” By contrast, “in the case of state operators, they do count them in, and we are constantly trying to build up arguments against this form of discrimination.”

### Elections

Elections, both those that have recently concluded and those upcoming, play a big role in the energy sector. In the “A Look at Renewables” section (see page 50), Arkadiusz Krasnodebski, Dentons’ Poland Managing Partner and the firm’s Head of Energy practice in Poland and Europe, explained how a change of Government following general elections first put plans related to the renewables sector on hold, and later seem to have changed them considerably. Pending elections add to the slowdown of framework implementations as well, Cibulic explained, pointing out that the highly anticipated restructuring in Serbia he mentioned earlier will likely have to wait: “Since we’re looking at elections soon, the Government is unlikely to do it before the elections, especially since the new legislation will likely translate into an increase on the end consumer bill, which is not always welcomed during an election year.”

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***“...it is only a matter of time before someone will ask, why do we need four groups and not just have two...”***

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And even when elections are not coming anytime soon, voters’ views are still influential. Dumbrava described the pricing challenges energy companies in Romania face, making it particularly difficult to cover production costs: “For us as suppliers of thermal energy produced in cogeneration, this is made even more

difficult by the fact that prices of heat are approved at the level of local authorities, which does lead to some electoral considerations.” As a result, he added: “We find it hard to explain at times that the costs of production have gone up and that we need to adapt prices to the actual cost.”

### State Control

The impact of state policy on the sector goes beyond considerations of pricing or incentives. In Hungary, participants to the recent CEE Legal Matters Round Table (see page 62), discussed the increasingly active Hungarian Government and its “soft nationalizations” approach in the sector. Krasnodebski spoke about re-consolidation in Poland as well, noting that players such as EDF and Engie are already opting to leave the market and describing it as “an ongoing process whereby we may see, a couple of years down the line, a market split among four consolidated groups – all controlled to some extent by the state.” Signs of this are already appearing, he reported, and if they continue in this direction, “it will represent a considerable shift in the market, with these tending to focus on pursuing conventional projects rather than developing a lot of renewables ones.” Krasnodebski added: “If that does pan out, it is only a matter of time before someone will ask, why do we need four groups and not just have two ... and later, down the line, why even need two?”

Krasnodebski agreed that the situation in Poland is, in some ways, comparable to Hungary, “but there it was a matter of the state allowing for big privatizations and, after they were completed, [finding] that there was (a) a risk element and (b) ... an expectation to be able to increase tariffs (resulting from CAPEX and other needs), whereas the Government wanted to limit price increases.” In Poland, by contrast, “except for Warsaw, where you have RWE, much of it continued to be controlled by the State Treasury, which meant that prices going up in an uncontrolled manner is a small risk. There are, however a different set of problems at play since the generation is still predominantly based on coal, which means that the cost of CO<sub>2</sub> emissions will be going up, creating a bit of a pricing pressure.”

Radu Cotarcea



# A Look at Renewables



## The Wait-and-See Game

Lawyers across a number of markets are pointing to troubling ambiguities and uncertainties facing potential investors in the renewables market.

Dragoljub Cibulic, Partner at BDK Attorneys at Law, claimed that in Serbia the relative lack of regulations is a source of some frustration. Because the necessary framework has not yet been adopted in that country, he explained, “none of the envisioned power plants can proceed with securing financing and actual construction, despite being shovel-ready.”

In Greece, according to Dimitris Assimakis, Partner at Norton Rose Fulbright, the Government has put forward its proposed new scheme – “which is trying to adapt the national legislation to EU state aid guidelines related to the environment and energy” – for discussion. Assimakis explained that the country is “heading towards a more market-based set of mechanisms,” but he described the scheme’s pending status as “a weird period for the market” since it will need to be submitted to the EU Commission for approval and then passed by the Greek Parliament. He

expressed the hope that the new legislation for supporting the renewable industry will kick in early this summer.

While noting that there is “quite a bit of momentum for FDIs in wind projects” at the moment, Assimakis reported that “the current uncertainty has created some concerns from the investment community and placed them in a hold-and-see pattern.” In the meantime, the Norton Rose Partner explained, projects that are in a mature state (especially on the wind-projects side) are being financed by Greek banks after a significant recapitalization concluded at the end of 2015. “This is happening on a selective basis,” he reported, “in that the banks are looking quite carefully at the profile of the sponsor, the site, and so on.”

Arkadiusz Krasnodebski, Dentons’ Poland Managing Partner and the firm’s Head of Energy practice in Poland and Europe, pointed not just to the need to enact a legislative framework but also to the “significant shift in policy” in his country. He explained that in April 2015 Poland enacted a new law for renewables “that completely changed the previous model of green certificates to

one where businesses were expected to benefit from feeding premiums following auctions.” The auctions were supposed to commence at the beginning of this year, but following the country’s general elections in November, the introduction was postponed until July 1. In the interim, Krasnodebski noted, a new draft bill has emerged which would introduce several limitations and restrictions as well as imposing additional costs on businesses operating wind farms. He explained that the proposed bill would affect new projects, projects currently under development, and even existing wind farms, by imposing a new tax on the turbines. “It would also introduce a new requirement whereby a new special authority, the Technical Supervision Agency, would carry out regular reviews of existing installations in order to give them a permit allowing for two years of operations,” he said, which would represent yet another cost. While the new law is only in the draft stage at the moment, Krasnodebski admitted “being scared by the prospect of its introduction, since many are saying that, if enacted, it will greatly limit their appetite for new projects in wind and even will prompt them to re-evaluate the value of



existing projects.” He added: “We have a 5,000-megawatt capacity for wind, which is already significant, but that may change, and investments may simply freeze. We may even see some people departing from the market rather than registering further growth of the sector.”

In terms of how that will impact his firm’s work, Krasnodebski commented: “Of course, for us and many other players in the country, wind and renewables in general has been a large business source, and there are questions about what is ahead of us.” On the other hand, he noted, “the Government does say that it wants to do a lot more on the biomass and biogas side of things in order to comply with the EU in terms of matching its targets on renewables.” Regardless, he concluded, “what we’re seeing on the wind side is a game-changer, and a negative one at that.”

### Renewable Disputes?

Assimakis spoke with a bit of nostalgia about a different area of renewables in Greece – that of solar energy. He explained that, while there are some potential auctions for new solar parks expected

in the near future, the sector is no longer as dynamic as wind, and he referred to a boom experienced by the country between 2010 and 2014. This boom resulted from a regulatory framework introduced in 2010, which provided for a “very generous support for solar energy, which, combined with the solar radiation of Greece, led to a great of interest in the terms of FDP” – illustrated, Assimakis said, by the fact that “the 2.6 gigawatts of capacity addition occurred in the middle of the crisis when limited financing was available.”

The subject of the benefits that accrued to renewable energy investors is a common theme in the region. While in Poland the exciting opportunities expected to result from the country’s new legislation never came to fruition, as Krasnodebski explained, investors in other markets were hit by the withdrawal of incentives after their investments had been made. In Romania for example, according to Paula Corban-Pelin, Counsel & Head of Energy at DLA Piper, although the country had one of “the best schemes in Europe and many were rushing to invest in the country, the law changed dramatically two years ago, and we are now looking at many incumbent insolvencies in the field.” She pointed out that “green certificates in the field have been reduced considerably or suspended, and many players are, as a result, unable to recoup their investments.”

The next step, many experts suggest, could be the initiation of formal investment-dispute procedures – but there are several factors which make such claims unlikely. In Romania, Corban-Pelin reported that, “while I know of a number of players contemplating investment arbitration, no real claims have been submitted just yet – probably because of the costs involved in such a dispute but also because many might simply be waiting to see what the Government does next in this field.” She added that no one was seriously expecting a return to the previous scheme, but many were hoping to see some improvement – though little action beyond political statements has been made to date.

Large numbers of formal disputes are unlikely in Greece as well, Assimakis re-

ports, because although there were some cuts in 2014, “if you look at the figures, [investors] are still making a good rate of return.” He added: “Of course investors were not happy and there were some disputes, but no huge case landed in front of an arbitration forum as far as I know.” In addition, Assimakis says that the state’s ability to implement even, at times, retroactive tariffs, is “very difficult to challenge in light of the fact that the EU directive on renewables is only a guiding one,” thus “a legal basis for contesting them is missing, at least at a national level.” Of course, investors can try to bring a claim before an international forum, he noted, but similar attempts to do so in places like the Czech Republic, Bulgaria, Romania, and even Spain have had little success.

Willibald Plesser, Freshfields’ Co-Head of CEE/CIS, Country Partner for Turkey, and Head of the Energy Sector Group in Austria, referred to the “perceived El Dorado in some CEE countries like Bulgaria where investors leapt at these kinds of projects until the point the governments had to (including sometimes retroactively) pull out of incentives,” which has led to subsequent investment disputes. He argued that the situation in Austria, however, is different: “Interestingly, it is primarily the incumbents, rather than small investors, that are making investments into wind farms.” He pointed to EVN’s recent heavy investments in Austrian wind farms as an example.

In Austria, therefore, Plesser explained, the disputes that do arise in the energy sector tend to take a different form than elsewhere, and he referred to “a certain trend to attack the incumbent long-term contracts related to shipping, storage, etc.,” in reporting that “there is some disputes/arbitration work arising from this.”

Whether or not any of the disputes pan out, the overall CEE forecast for the renewables industry is not an exciting one, according to Krasnodebski: “One of the things that we’ll notice in the next few years is that new investment projects in renewables will be increasingly expensive because of the regulatory requirements and burdens in place.”

Radu Cotarcea

# The Big Deals: Energy



What follows is a list of the most notable deals in the CEE energy sector in the past 16 months, based on both the 2015 CEE Legal Matters deal list (a searchable table available at [www.ceelegalmatters.com](http://www.ceelegalmatters.com)) and on deals appearing in the “Legal Ticker: Deals and Cases” section of the CEE Legal Matters website in the first four months of 2016. The deals are listed in the order they were reported by CEELM.

## *Notable CEE Energy Deals, Investments, and Exits:*

**2/12/14** Cobalt assisted Hoegh LNG, a major Norwegian provider of maritime LNG transportation and regasification services, and its Lithuanian subsidiary UAB Hoegh LNG Klaipeda, in legal matters related to smooth start-up of LNG terminal project, including the negotiation of the premises lease agreement in Klaipeda.

**2/12/14** Moral Law Firm advised Borusan EnBW Enerji Yatirimlari ve Uretim A.S. on its acquisition of 99.95% of an unidentified Ankara-based Turkish energy company.

**12/12/14** Noerr advised Norm on the takeover of the Lukoil petrol station network in Hungary and Slovakia. Noerr also assisted Norm with competition filings in the two countries. Weil

Gotshal & Manges advised the seller on Czech matters. Wolf Theiss represented Lukoil regarding corporate changes in the closing of the deal

**14/1/15** Gleiss Lutz advised E.ON SE, Dusseldorf, on the sale of its Italian coal and gas generation assets to the Czech energy company Energeticky a Prumyslový Holding, which was represented by Baker & McKenzie.

**20/1/15** Skadden advised majority shareholders of Eurasia Drilling Company Limited, the largest provider of onshore drilling services in Russia, in its stake private and sale of a minority stake to Schlumberger. Allen & Overy, assisted by Appleby, advised Schlumberger. Vinson & Elkins and Maples and



Calder advised the Special Committee.

**28/1/15** CHSH advised Austria's OMV Aktiengesellschaft on the increase of the company's stake in Petrol Ofisi from 41.58% to 95.75%, with the acquisition of the 54.14% stake held by Dogan Holding.

**12/2/15** Hristov & Partners advised CCC Bulgaria on the transfer and acquisition of a part of the enterprise as a going concern of Infracos Bulgaria, including certain natural gas infrastructure and related assets in Bulgaria.

**20/2/15** Fort advised the Elgamos Group on the sale of a 15% stake in subsidiary Elgama-Elektronika – a producer of static electricity meters – to China's Jiangsu Linyang Electronics, which was advised by Lawin (now Valiunas Ellex).

**23/2/15** RTPR Allen & Overy advised Zentraleuropa LPG Holding GmbH on the acquisition of shares held by some minority shareholders in Flaga LPG S.A. (an LPG distribution company).

**27/2/15** Tuca Zbarcea & Asociatii advised Hungarian energy company MVM on its purchase of a hydroelectric power plant in Romania.

**1/3/15** Dentons advised L1 Energy on its acquisition of RWE DEA AG, a leading international oil and gas company, from RWE AG.

**1/4/15** Herbert Smith Freehills advised Carlyle International Energy Partners, part of the Carlyle Group, on its agreement to purchase the entire Romanian business of Sterling Resources. Local law advice to Carlyle was provided by Pachiu & Associates in Romania, and Osler, Hoskin & Harcourt in Canada. Musat & Asociatii advised Sterling Resources, along with Burness & Paull.

**7/5/15** Following Chevron's decision to terminate its operations in Romania due to poor exploration results and extensive protests by environmentalists, Pachiu & Associates is assisting the company in the decommissioning and abandonment of its operations in the country.

**12/6/15** White & Case acted as exclusive legal counsel on the sale by Mansa Investments, a wholly-owned indirect subsidiary of Kulczyk Investments, of 15.4 percent of the shares in Polenergia.

**22/6/15** CMS advised Vychodoslovenska Energetika a.s., a Slovakia-based company engaged in the distribution and supply of electricity, in its acquisition of RWE Gas Slovensko, s.r.o., a Slovakia-based gas supplier, from RWE Supply & Trading CZ, a.s.

**1/7/15** White & Case represented CEZ Nova energetika, a.s. (a Czech energy supplier) and its venture capital subsidiary Inven Capital, in its acquisition of Sonnenbatterie.

**1/7/15** Dentons advised the Petroceltic oil and gas company on the purchase of equity in two exploration blocks in the Romanian sector of the Black Sea: (1) a 40% stake in the EX-27 Muridava Block previously held by a subsidiary of Sterling Resources, and (2) a 30% stake in the EX-28 Est Cobalcescu Block previously held by a subsidiary of Beach Energy. The Buzescu Ca law firm represented Beach Energy on its transfer of a participation in the EX-28 Cobalcescu perimeter.

**3/7/15** SPCG advised the Delphi Group on Polish aspects of the global sale of its Thermal business to MAHLE Behr.

**15/7/15** Glimstedt advised Gazprom of Russia on its sale of 37% of its shares in the AS Vorguteenus Valdis gas transmission network in Estonia to Estonian electricity transmission system operator Elering for EUR 19.9 million. Elering was advised by Red Legal.

**17/7/15** Wolf Theiss advised ERG Renew and Lukoil on the complex separation of LUKERG Renew, an Austrian-based 50-50 joint venture created in 2011 to invest in the wind sector throughout CEE.

**23/7/15** Greenberg Traurig advised Orlen Upstream in connection with its entrance into a Joint Operating Agreement with Polskie Gornictwo Naftowe i Gazownictwo, the Polish state-controlled oil and natural gas company.

**6/8/15** The Yegin Ciftci Attorney Partnership – the Turkish firm associated with Clifford Chance – advised the International Finance Corporation and a fund managed by the IFC Asset Management Company on their acquisition of a 27% stake in GAMA Enerji. GAMA Enerji was advised by the Akol Avukatlik Buroso – the Istanbul firm at the time associated with White & Case – on the deal.

**14/8/15** CMS advised the Austrian energy group EVN in the course of a cross-border restructuring. Some operations of the Essen-based group company WTE Wassertechnik GmbH were spun off and subsequently transferred to the Austrian group by way of a cross-border merger.



**14/8/15** White & Case advised the International Finance Corporation on its agreement to subscribe for 23 percent of the shares of UNIT Investment NV, the power sector development and investment arm of UNIT Investments S.A.

**21/8/15** Asters acted as legal counsel to Primestar Energy FZE on the purchase of 100% of the shares in Ukraine's Ukrغازprombank PJSC.

**26/8/15** Dentons advised Tauron Polska Energia S.A. and Tauron Wytwarzanie S.A., and Weil advised Polish Investments for Development S.A., on their joint investment to finance the construction of a 413 MW unit at the Lagisza power plant in Bedzin, Poland.

**26/8/15** Akin Gump advised PJSC LUKOIL in the sale of its 50% stake in Caspian Investments Resources Ltd. to China-based Sinopec.

**3/9/15** Clifford Chance advised Katowicki Holding Węglowy on the sale of 100% of the shares in Zakłady Energetyki Ciepłej to DK Energy Polska, a company owned by the French group EDF. DK Energy was advised by the Robert Jedrzejczyk & Partners law firm.

**17/9/15** White & Case advised BASF subsidiary Wintershall and Cleary Gottlieb Steen & Hamilton advised Gazprom on a multi-billion Euro asset swap between the two.

**21/9/15** Allen & Overy advised Infracapital on its acquisition of the Slovak utility group GGE, a producer and supplier of heat, electricity, and gas. CMS Advised the banks: BNP Paribas, UniCredit Slovakia, Komerční banka, and CSOB.

**5/10/15** Tark Grunte Sutkiene advised Fuchs Petrolub SE on Estonian, Latvian, and Lithuanian law aspects of its acquisition of Statoil Fuel & Retail Lubricants business from Couche-Tard Luxembourg S.A.R.L.

**6/10/15** Erdem & Erdem represented the Yildirim Group of Turkey in the acquisition of 100% of shares of Mota-Engil Logística and Tertir Terminais de Portugal from Mota-Engil SGPS, SA.

**8/10/15** Paksoy advised Messer Tehnogaz on the recently-completed sale of Messer Aligaz Sanayi Gazları ve Ticaret A.S., its

natural gas subsidiary, to Air Liquide Gaz Sanayi ve Ticaret A.S. - part of the French industrial gas producer Air Liquide. Gide Loyrette Nouel advised Air Liquide on the deal.

**12/10/15** Kambourov & Partners advised Societa Appalto Lavori Pubblici S.p.A., the main contractor for the design and construction of the Dobrich Silistra Gas Pipeline in Bulgaria.

**20/10/15** Greenberg Traurig represented Orlen Upstream in connection with its entrance into a definitive merger agreement pursuant to which it acquired all the outstanding shares of common stock of NASDAQ-listed FX Energy.

**21/10/15** DLA Piper advised on the sale and purchase of 100% of shares in Eni Hungaria Zrt. - the subsidiary of Eni International BV. The subject of the transaction was the downstream business of the Hungarian subsidiary. However, the wholesale lubricant business of Eni Hungaria Zrt. did not form part of the transaction.

**22/10/15** Dentons advised GDF Suez on the sale of 99.93% stake in GDF SUEZ Energia Magyarorszag Zrt. (its universal gas trading company in Hungary) to the state-owned gas distributor Fogaz Zrt, advised by Baker & McKenzie.

**26/11/15** Slaughter & May was global counsel to General Electric and Hogan Lovells was global counsel to Alstom on the former's EUR 12.4 billion purchase of the latter's power and grid businesses. In Romania, Tuca Zbarcea and Asociatii advised General Electric and PeliFilip represented Alstom. In Croatia, the Porobija & Porobija law firm advised General Electric, while sole practitioner Tamara Musnjak-Spasic advised Alstom. In Poland, Alstom was advised by a Hogan Lovells Warsaw team while WKB Wiercinski Kwiecinski Baehr advised GE. In Turkey, Alstom was advised by the Kasaroglu law firm. In Ukraine Redcliffe Partners (before Dec 1, 2015 Clifford Chance Kyiv) advised General Electric.

**24/12/15** White & Case advised Energetický a průmyslový holding (EPH) on the agreement by its subsidiary, EP Slovakia BV, to acquire a 66% stake in Slovenske elektrarne, a.s. from Enel Produzione S.p.A., a subsidiary of Italy-based multinational power company Enel S.p.A. Allen & Overy advised Enel on the sale.

**1/1/16** Gedik & Eraksoy (the Turkish arm of Allen & Overy), along with Allen & Overy's Singapore office, advised Malaysia's state electricity utility, Tenaga Nasional Bhd., on its December 11, 2015 acquisition of a 30% stake in Turkey's Gama Enerji

A.S. for USD 243 million. TNB acquired the stake from Gama Holding A.S., the International Finance Corporation, and GIF Holding I Cooperatief U.A. (a fund managed by the IFC Asset Management Company), in the amounts of 22.5%, 5.75%, and 1.75%, respectively. The IFC and GIF were advised by Clifford Chance, while Gama Holding was advised by White & Case and Cakmak Gokce Law Offices.

**7/1/16** Hogan Lovells advised E.D.F. International (EDF) on the sale of its majority stake in Hungary's Budapesti Erőmű Zrt. (BERT) to EP Hungary a.s., a subsidiary of Energy a.s., which now owns more than 95% of BERT shares. Hogan Lovells was assisted in Hungary by Lakatos, Koves & Partners. Wolf Theiss advised EP Energy.

**26/1/16** Allen & Overy advised Rosneft on a joint venture between member company RN-Gas LLC and the Alltech Group for the development of gas deposits and construction of an LNG facility in the Nenets Autonomous District of Russia. Baker & McKenzie advised Alltech Group.

**29/1/16** Orrick advised Zarubezhneft, a major Russian state-owned oil company, on its acquisition of a majority stake in the Kharyaga oil field from Total, France's largest oil and gas producer. Dentons advised Total on the deal.

**2/2/16** Klavins Ellex advised Uniper Ruhrgas International GmbH (formerly E.ON Ruhrgas International GmbH) on the January 28, 2016 sale of 28.97% of the shares of AS Latvijas Gaze (LG) – Latvia's sole natural gas utility – to the Marguerite Fund for an undisclosed amount. The Marguerite Fund was advised by Cobalt's Riga office.

**2/2/16** Weil, Gotshal & Manges advised Unipetrol RPA on its acquisition of 68 filling stations in the Czech Republic from Austria's OMV. CHSH and the Czech office of Becker & Poliakoff advised OMV on the transaction, which Weil reports "will significantly strengthen Unipetrol's position and expand its Benzina filling station network to over 400 stations."

**25/2/16** Sorainen advised Fortum on the sale of its 51.4% shareholding in the Eesti Gaas company to Trilini Energy. The buyer was advised by Raidla Ellex.

**25/2/16** The Esin Attorney Partnership (EAP) – member firm of Baker & McKenzie International – advised Petgas on the transfer of its bottled liquefied petroleum gas (LPG) and auto-gas businesses to Ipragaz. The latter was assisted by BASEAK – the Turkish arm of Dentons. The deal was signed on October

20, 2015 and closed on January 7, 2016.

**29/2/16** The Sofia office of CMS supported Shell on its successful bid and entrance into a prospecting and exploration agreement for the deep offshore exploration block Silistar in the Bulgarian Black Sea.

**11/3/16** Norton Rose Fulbright advised Fortum Holding BV on its acquisition of a 93% stake in Grupa Duon SA, a leading independent Polish supplier of electricity and natural gas that is listed on the Warsaw Stock Exchange. Weil, Gotshal & Manges represented the sellers on the deal, which is reportedly worth approximately EUR 100 million.

**12/4/16** Cobalt advised AMIC Energy Management GmbH on the acquisition of a 100% shareholding in Latvian entity SIA Lukoil Baltija R (now renamed SIA AMIC Latvia) from Lukoil Europe Holdings B.V.

**21/4/16** The Berlin office of Freshfields Bruckhaus Deringer advised Vattenfall on the sale of its German lignite operations to Czech energy company EPH with its financial partner PPF Investments, which the firm describes as "the largest and most complex transaction in the European energy sector this year." Hengeler Mueller advised EPH on the deal.

## Notable CEE Energy Deals, Investments, and Exits (Renewables):

**27/2/15** Binder Groesswang and Kinstellar advised Contour-Global on the acquisition of four Austrian wind parks, two Czech photovoltaic plants, and one Slovak photovoltaic plant from RENERGIE and REE – both affiliates of Austria's Raiffeisen Banking Group. Kinstellar provided local advice to Contour Global in the Czech Republic and Slovakia, while Schoenherr advised RENERGIE and REE.

**24/3/15** Dentons advised Geo Renewables on the sale of its shares in a joint venture that owns and operates a 38 MW wind farm in Wroblew in Central Poland to the IKEA Group. The other members of the joint venture, Enlight Renewable Energy (an Israeli investor and developer of renewable energy projects), and the China Central and Eastern Europe Investment Co-Operation Fund, sold their shares to the IKEA Group as well, and were represented by White & Case. Dentons also advised Geo Renewables on the exit of the Fund and Enlight Renewable Energy from the project.

**22/5/15** DLA Piper advised UniCredit Bank Austria as a lender

on the financing of the acquisition and the construction of two Lower Austrian wind farms. CMS advised the borrowers, Energie AG Oberösterreich and 4P Envest.

**17/7/15** Schoenherr advised Allianz Capital Partners on its acquisition of four wind parks in the Austrian state of Lower Austria from ImWind, one of the country's largest wind farm operators, with a portfolio of 320 MW in operation.

**23/7/15** CMS Bulgaria advised SDN Company Ltd. on its acquisition of the Bulgarian company Solar Group Systems JSO.

**28/9/15** BDK advised Akuo Energy, the French producer of renewable energy, on the development of the first wind power plant at Krnovo, near the town of Niksic, in Montenegro.

**30/9/15** Sorainen advised Technological Solutions and Pellet 4Energia (member companies of Estonia's Nelja Energia group) on the construction of a cogeneration plant and pellet plant in Broceni, Estonia.

**28/12/15** Paksoy advised the European Bank for Reconstruction and Development on its USD 100 million acquisition of a 20% stake in Akfen Yenilenebilir Enerji – the renewable energy subsidiary of Akfen Holding. DLA Piper was international legal counsel to the EBRD, and Bezen & Partners advised Akfen Holding.

**27/1/16** Lithuania's Motieka & Audzevicius law firm advised Renagro and BaltCap Lithuania SME Fund (BLF) in selling their 75% stake in Eurakras, the owner of a 24 MW wind park in Lithuania, to Lithuanian state energy provider Lietuvos Energija – which, at the same time, also acquired a 100% stake in the Tuuluenergia wind park in Estonia from BLF and minority shareholders. Tark Grunte Sutkiene advised Lietuvos Energija on both deals. The RASK law firm advised BLF in Estonia.

**1/3/16** Dentons advised Fortum OJSC in relation to its sale of a 100% interest in its subsidiary Tobolsk CHP to SIBUR Holding, which was assisted by White & Case on the deal.

**23/3/16** The Sofia office of CMS assisted ReneSola, a leading international manufacturer and supplier of green energy products listed on the New York Stock Exchange, with the successful sale of its operational portfolio of 9.7 MWp photovoltaic power plants in Bulgaria to Solar World Aquiris S.A.R.L. Djingov, Gouginski, Kyutchukov & Velichkov advised Solar World Aquiris S.A.R.L. – a subsidiary of the Luxemburg-based investment fund Solar World Invest Fund SIF – on the deal.

**12/4/16** Gide advised the Eolfi group on the sale of a wind farm portfolio to Quadran. Quadran was advised by France's Brandford Griffith law firm, with support in Poland from DMS DeBenedetti Majewski Szczesniak.

## Notable CEE Energy Financing Deals:

**4/12/14** Dentons advised Polish energy giant Tauron Polska Energia S.A. on a bond issue. Allen & Overy advised Bank Handlowy w Warszawie S.A., Bank of Tokyo-Mitsubishi UFJ (Polska) S.A., Bank Zachodni WBK S.A., Caixabank S.A. (Spółka Akcyjna) Oddział w Polsce, Industrial and Commercial Bank of China (Europe) S.A. Oddział w Polsce, ING Bank Śląski S.A., and PKO BP S.A. on the matter. 12/12/15 Greenberg Traurig was legal counsel to Grupa LOTOS in a rights issue of 55 million new shares placed with the company's existing shareholders.

**13/2/15** Norton Rose Fulbright advised Tauron Sweden Energy AB (publ) as issuer and Tauron Polska Energia S.A. as guarantor on the issue of unsecured German registered notes.

**20/2/16** Allen & Overy advised the lead arrangers on a EUR 400 million secured working capital, receivables, and inventory

financing for the MET group. The borrower was advised by CMS.

**1/3/15** WKB advised ZSPS Siekierki sp. z o.o. and its sole shareholder, PGNiG Termika S.A., on financing obtained from Bank Pekao S.A. for the construction of an ash separation plant at PGNiG Termika's Warsaw-based Siekierki heat and power plant. White & Case assisted the bank. 3/15/16 Clifford Chance Badea advised a bank consortium led by BRD Groupe Societe Generale S.A. as Agent and Arranger, and including Banca Romaneasca, Bancpost, Allianz Tiriac Insurance, and Groupama Insurance, on a syndicated loan facility for Energomontaj.

**5/3/15** Skrastins and Dzenis conducted a legal research and due diligence project commissioned by the EBRD to assess the availability of long term financing and the contours of the legal framework applicable to the operation of Energy Services



Companies and energy efficiency projects related to a significant renovation of residential buildings from the Soviet period in Latvia.

**23/4/15** RTPR Allen & Overy advised a syndicate of banks made up of Banca Comerciala Romana S.A., as coordinator, ING Bank N.V. Amsterdam - Bucharest Branch, Raiffeisen Bank S.A., and UniCredit Tiriac Bank S.A. in relation to a credit facility granted to KMG International N.V. (former The Rompetrol Group N.V.). The London office of Eversheds advised the borrower.

**29/4/15** Allen & Overy advised Komerční banka on German law in connection with refinancing of MND, the largest oil and gas producing company in the Czech Republic. Clifford Chance acted as legal advisor to MND with respect to Czech law and Loyens and Loeff acted as legal advisor to MND with respect to Dutch law.

**1/5/15** White & Case represented of TAMEH, an energy group that is a joint venture of ArcelorMittal and Tauron, regarding the provision of up to CZK 2.39 billion and PLN 507 million senior term and revolving facilities to the TAMEH group by a syndicate of international lenders arranged by Raiffeisen Bank International AG, Raiffeisen Bank Polska S.A. and Raiffeisen-bank a.s.

**6/5/15** Integrites acted as legal counsel to the EBRD on the increase of a loan up to USD 16 million to Nadezhda, the Ukrainian operator of liquefied petroleum gas and petrol stations.

**14/5/15** Allen & Overy advised Ceska sporitelna and other banks on new financing of Prazska Plynarenska Group.

**26/5/15** The Esin Attorney Partnership – a member firm of Baker & McKenzie International – and Baker & McKenzie's London office advised Akbank on a private finance loan to SOCAR, Turkey's largest foreign investor. The loan has a 13 year-maturity and a 3 year-grace period, and is designed to finance the development of the Petlim container terminal in Izmir. YukselKarkinKucuk advised the borrower Petlim Limancilik Ticaret A.S. and the guarantor Petkim Petrokimya Holding A.S. (a SOCAR affiliate).

**5/6/15** Allen & Overy advised a group of banks led by Komerční banka (Societe Generale Group) on financing of NAFTA a.s.

**11/6/15** Borenus in Estonia and Latvia and Tark Grunte Sutkieni in Lithuania – both working with the Thommessen law firm in Norway as the main advisor – assisted Estonian Nelja Energia on a successfully completed bond issue to be listed on the Oslo Stock Exchange.

**16/6/15** Sayenko Kharenko acted as legal counsel to Deutsche Bank, the dealer manager arranging an exchange offer for the outstanding Eurobonds due April 28, 2015 issued by DTEK on the successful change of the governing law of its US-governed high yield bonds to what the firm describes as an “English law scheme of arrangement.” DTEK was advised by Avellum Partners.

**15/7/15** Clifford Chance represented Rompetrol before the Romanian Supreme Court in its appeal against the fine levied upon it by the Romanian Competition Council for an alleged concerted practice over the oil market. The court ruled that the fines should be lowered and held that Rompetrol was entitled to recover legal fees.

**1/8/15** Allen & Overy advised PGNiG Upstream International AS and CMS advised PGNiG SA in relation to USD 400 million financing provided by Societe Generale, BNP Paribas, ING, HSBC, Citibank, CACIB, SEB and Natixis. Wiercinski Kwiecinski Baehr advised the consortium of banks on Polish matters, Wikborg Rein acted as Norwegian advisor to the banks, and Herbert Smith Freehills was global advisor to the banks.

**31/8/15** Chadbourne & Parke represented the State Oil Company of Azerbaijan Republic in connection with an option-based financing for its subsidiary, SOCAR Turkey Enerji A.S.

**5/10/15** Norton Rose Fulbright advised the Polish state-owned investment vehicle Polskie Inwestycje Rozwojowe S.A. on the execution of a preliminary investment memorandum with EDF Polska concerning the financing of a new gas-fired CHP plant in Torun, Poland. DZP advised EDF Polska.

**1/11/15** Aequo advised Naftogaz on a USD 300 million revolving credit facility obtained from the EBRD for winter gas purchases.

**13/11/15** Slaughter and May advised Eesti Energia Aktsiaselts on its intermediated tender offer and issue of 2.384% notes due September 2023. Raidla Ellex advised Eesti Energia on matters of Estonian law.

**30/11/15** White & Case advised Zorlu Enerji on the combined refinancing of a portfolio of existing power plants and financing of the development of the new Kizildere III geothermal project belonging to its subsidiary Zorlu Dogal, located in the Aegean Region of Turkey. The financing was arranged by a syndicate of Turkish banks consisting of Akbank, Garanti Bank, Is Bank, and the Industrial Development Bank of Turkey. Clifford Chance, along with the Yegin Ciftci Attorney Partnership, advised the banks on the deal.

**8/12/15** The Vujacic law office advised on the due diligence of the EBRD and KFW Ipex-Bank in connection with a project financing of a wind farm in Krnovo, Montenegro, as well as assisting in the drafting and negotiation of security documents. The Krnovo wind farm is operated by Akuo Energy, and is the first wholly private wind farm in the country. The firm reports a deal value of EUR 98 million.

### Notable CEE Energy Financing Deals (Renewables):

**8/12/14** The Vujacic law office advised the EBRD and KFW Ipex-Bank on due diligence performed in connection with a project financing of a wind farm in Krnovo, Montenegro.

**15/12/14** Redcliffe Partners advised the EBRD on its provision of financing to Rokytna Sugar Plant for the construction of a biogas plant to promote renewable energy in Ukraine

**1/2/15** Crido Legal advised Yard Energy in the process of obtaining financing for a wind farm development project.

**1/4/15** Crido Legal advised Lewandpol with regard to obtaining financing for the purposes of development of wind farms.

**27/4/15** Dentons advised ERG Renew, the largest Italian wind energy operator and one of the leading wind companies in Europe, on the acquisition of two wind parks in Poland.

**22/6/15** PRK Partners advised Komerční banka in connection with a project finance loan facility provided to the Energeia charitable organization, which intends to operate a hydroelectric power plant in Steti, in the Czech Republic.

**17/8/15** CMS advised the EnerCap Power Fund on the refinancing of its 18MW Horní Lodenice windfarm in the eastern part of the Czech Republic.

**1/10/15** Gugushed & Partners advised the ultimate back end owner of the borrowers Hareon Solar Technology Co Group, a China-listed Stock Exchange Company, on the structuring of the security package in relation to credit facilities provided by the China Development Bank for Development of renewable energy projects in Bulgaria.

**15/12/15** Baker & McKenzie advised Zorlu Enerji Elektrik Uretim and Zorlu Ruzgar Enerjisi Elektrik Uretim, both part of the Zorlu Energy Group, on financing for two wind power plant projects in Turkey.

## Notable CEE Energy Disputes:

**3/12/14** Aequo supported Shell in developing its case under Ukrainian law regarding a force-majeure defense in a gas supply contract with Ukrzvydobutok (a Ukrainian private gas supplier). Shell was eventually able to negotiate a very reasonable break-fee and settle the contractual claims with Ukrzvydobutok, using force-majeure legal arguments. Engarde acted as local legal counsel to Ukrzvydobutok.

**15/12/14** Karanovic & Nikolic advised RC2 and GeoRock Holdings in relation to proceedings before the Securities and Exchange Commission in Serbia related to the alleged failure to make a mandatory takeover bid in relation to the acquisition of a 40% share in East Point Holdings Metals.

**1/2/15** CMS and Allen & Overy, acting for JKC Oil & Gas plc, successfully challenged the Ukrainian Government's Resolution 647 which allowed the government to vest Naftogaz, a Ukrainian state-owned oil and gas company, with the exclusive right to sell gas to most industrial consumers and state-owned companies.

**3/2/15** Baker Botts successfully defended Gazprom against a claim for USD 1.37 billion lodged in the United States by Moncrief Oil International.

**1/3/15** Tuca Zbarcea & Asociatii represented CEZ Romania in an ICC Arbitration brought by Electrica SA.

**11/3/15** Sorainen successfully represented Statoil Fuel & Retail Eesti in a dispute before the European Court of Justice, which ruled that sales tax imposed on the company from June 1, 2010 to December 31, 2011, violated EU law and the excise duty directive.

**25/3/15** Withers successfully represented OMV Petrom – the successor in title to Romanian oil companies SC Rafirom and SC Compania Romana de Petrol SA – in a dispute regarding oil the two Romanian companies received from Marc Rich & Co. (which became Glencore International AG in 1994). Clyde & Co. represented Glencore in the matter.

**8/4/15** Gazprom withdrew from the investment arbitration it initiated three years ago against Lithuania regarding the country's then-new Law on Natural Gas, which implemented the EU Third Energy Package. Valiunas Ellex represented Lithuania in the dispute.

**11/6/15** The Pepeliaev Group persuaded the Constitutional Court of the Russian Federation to rule in favor of client Zapolyarneft, in an appeal of a lower court decision regarding the proportionality of penalties levied against the company for an oil spill.

**15/6/15** Baker & McKenzie successfully represented the Hungarian energy company MOL before the European Court of Justice, which dismissed the EU Commission's appeal against an earlier annulment by the EU's General Court of an EU Commission decision alleging that MOL had received HUF 30.4 billion of illegal state aid.

**7/7/15** Buzescu Ca successfully appealed the decision of the court of first instance – which ruled in favor of Foradex – on behalf of its client Amromco regarding disputed ownership of

a natural gas production well.

**9/7/15** Buzescu Ca obtained a victory for Statkraft Markets in a case regarding a claim filed by Transelectrica, the Romanian electricity system and transmission operator, regarding claims for charges for cross-border electricity trading.

**16/9/15** Doubinsky & Osharova successfully defended the IP rights of the Exxon Mobil Corporation in a trademark action over a mark which it claimed was confusingly similar to Exxon Mobil's "Pegasus" trademark.

**24/2/16** Borza & Asociatii successfully represented energy company Hidroelectrica in its dispute with energy trader Alpiq and aluminum producer Alro, with the later two seeking damages resulting from not being registered in the preliminary table once the energy company went into insolvency. Schoenherr represented Alpiq and Tuca Zbarcea & Asociatii represented Alro on the matter.

### Notable CEE Energy Disputes (Renewables):

**1/5/15** Acting on behalf of the Environmental Ombudsmen for Carinthia, CHSH successfully persuaded the Supreme Administrative Court in Austria to uphold the ruling of the Federal Administrative Court regarding an environmental impact assessment for the 220 kV overhead line between the Austrian communities of Weidenburg and Somplago.

**1/2/15** Glimstedt advised the Ministry of Energy of the Republic of Lithuania in preparation of its response to the investors' claims regarding alleged damages suffered as a result of state actions in the solar power plant sector that could potentially result in an ICSID or other arbitration against Lithuania.



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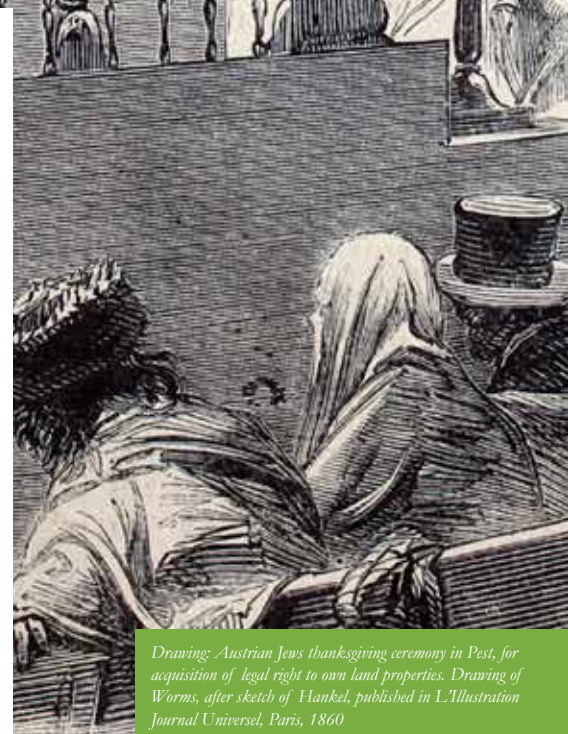
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# Market Spotlight Hungary

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*Drawing: Austrian Jews thanksgiving ceremony in Pest, for acquisition of legal right to own land properties. Drawing of Worms, after sketch of Hankel, published in L'Illustration Journal Universel, Paris, 1860*



# Guest Editorial: Great Expectations



Central and South Eastern Europe is back on the radar, and for good reason, as the region demonstrates economic growth, healthier banking systems, and increased legal stability. Romania, Poland, and Slovakia announced a GDP growth of 3.5% in 2015, announcements that companies are relocating production facilities to CEE and SEE from Asia and Western Europe are multiplying, and the region is on the way to becoming fully integrated into the production chain of the rest of Europe (with the best example being the German automotive industry).

It comes as no surprise, therefore, that after a period of law firm closings in the region, some are now expanding, like Jeantet, which decided to open regional offices in Budapest and Kyiv at the end of 2015 to start its Eastern European development.

Hungary has been doing well in this past year, as reflected by activity on the legal market, which has seen work come from important transactions on the M&A market driven by an active State (like the takeover of Budapest Bank), and an overall increase in medium-size transactions. The rhythm of law firm M&A departments may also accelerate this year as a result of the January 1, 2016, implementation of a new rule which shrinks the administrative time limit governing simplified mergers (if the transaction does not significantly reduce competition on the relevant market) from 30 to eight days.

The government has also begun with the purchase of distressed real estate assets by MARK (an agency created by the Hungarian National Bank), which received a green light from the European Commission to start operations and published its evaluation guidelines at the end of February, 2016. We expect law firms to see increased activity in this area as a result.

After an extended preparation phase, the new Hungarian civil code entered into force on March 15, 2014, bringing many changes and obliging companies to place themselves under the new law, generating an increase in corporate filing work for lawyers. Among the many important changes, the new civil

code provisions address the liability of executive officers, leaving some to speculate, in the absence of case law, that this liability has been extended to such an extent that it has now become a joint liability with the company. With no judicial practice to date, a number of CEOs are currently asking their legal experts to come up with creative solutions in order to protect them in the most efficient way, in case these speculations are eventually confirmed by the Hungarian Courts.

Labor law departments have also been kept busy lately by the judgment of the European Court of Human Rights in the case of *Barbulescu v. Romania* concerning the monitoring of an employee's use of the Internet during working hours (Case 013/2016). The judgment brought a sudden realization that companies' internal Codes of Conduct need to be revised and labor relationships accordingly adjusted.

Some interesting news has also come from Brussels and Luxembourg, as Hungary's planned tax on advertising has been suspended following a clear European Commission position on the matter, and as the EU Court of Justice has condemned Hungary in the meal vouchers case (*European Commission v. Hungary*, Case C-179/14). Lawyers will certainly follow with interest the developments in the three pending cases brought by the meal vouchers companies in front of ICSID against Hungary. Only time will tell if these developments will have a lasting impact on Hungarian authorities' approach to legislation.

Clearly the past year has been active and exciting for a regional and independent law firm with its headquarters in Budapest. There are many reasons to look ahead with excitement. Not only is Hungary an attractive place for sizable international companies but the country is also becoming attractive for regional investors, as Polish, Slovak, and Romanian companies which have managed to grow sufficiently in their local markets are now investing in the neighborhood. These investors are boosting the medium-size transactions market, both in M&A and in real estate, and we see them starting to occupy a prominent place in our portfolio of international clients.

Big international companies, on the other hand, are continuing to strengthen their positions on those markets where they are already present and also enter new markets, like Serbia or Macedonia.

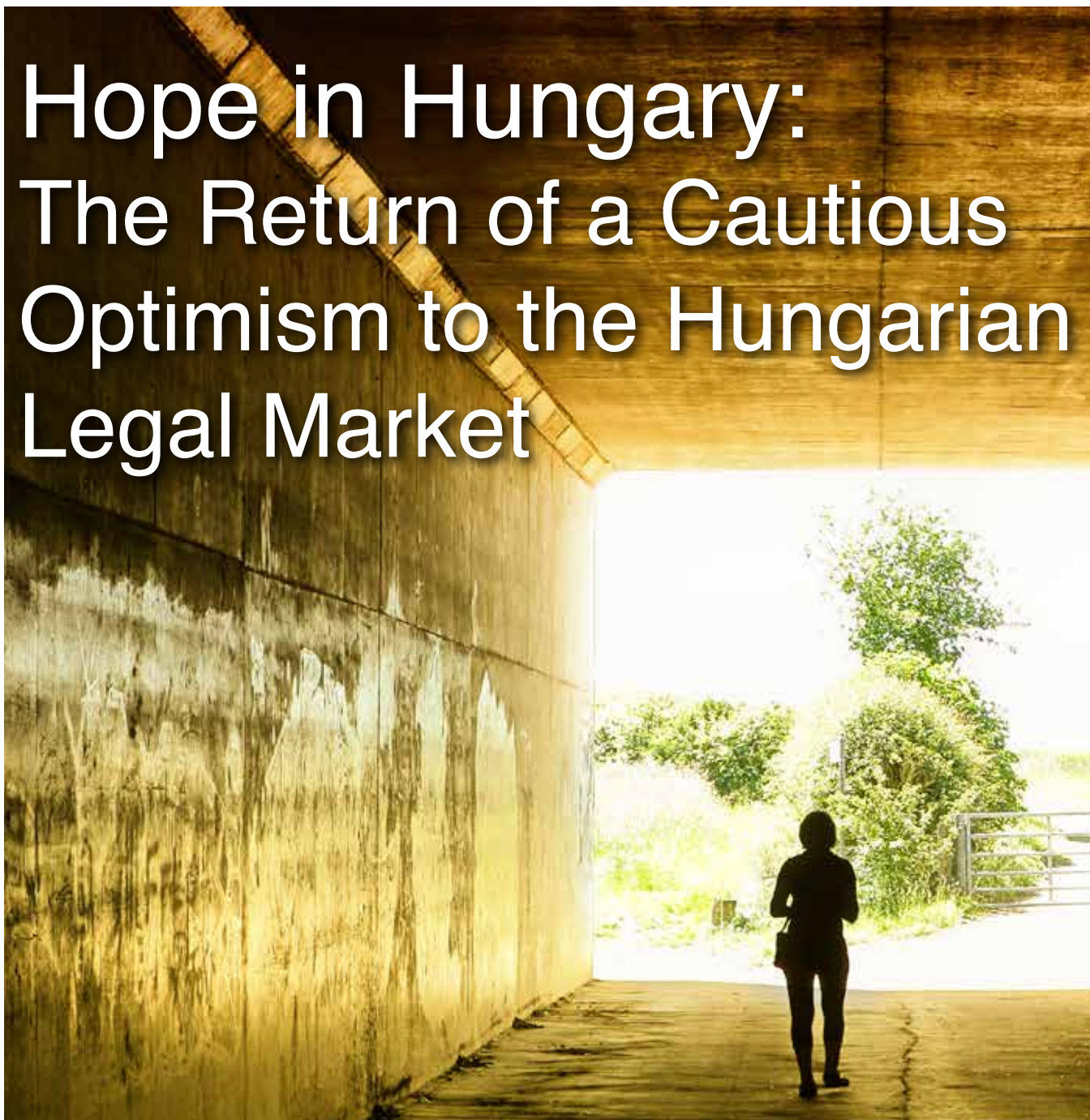
Another reason to plan ahead is that Budapest entered the race to host the 2024 Olympics. The IOC will select the host city only in September 2017, but legal questions in the regulatory field or on the investment side are already being asked. If Budapest wins the competition, remarkable amounts of legal work will be required.

With all this in mind, how could one not be excited about future Hungarian and regional deals? I certainly am!

*Ioana Knoll-Tudor, Partner,  
Jeantet Hungary*



# Hope in Hungary: The Return of a Cautious Optimism to the Hungarian Legal Market



A select group of prominent Hungarian lawyers gathered at Dentons' Budapest office on April 6, 2016, for a CEE Legal Matters Round Table conversation about the state of and prospects for the Hungarian economy and the Hungarian legal market. The 90-minute conversation touched on topics including the encouraging signs of recovery, the effects of the “soft nationalization” carried out by the Hungarian government in various sectors, fee trends, and changing expectations of the new generation of lawyers.





### Hungary is “Well-Positioned”

DLA Piper Hungary Managing Partner Andras Posztl started the discussion on a positive note by explaining that, at least from an international law firm perspective, “the market is nothing close to the 2010/2011 years – in a good way.” Indeed, he said, “the feel is closer to 2007, at least in terms of utilization rates facilitated by plenty of transactions around.” He noted that firms were benefiting from “both positive global trends and local nuances,” and explained that the “robust growth of CEE economies in 2015 ... appears to be continued this year too.” In addition, he said, “healthy labor markets and low inflation both support sustainable growth.”

The in-house participants said that the news from their respective sectors was similarly encouraging. Zoltan Fenyi, Head of Legal at Sberbank, reported “overall good news: we see a definite development on both the retail and corporate side.” He added: “The retail business is fueled by the growing consumption of private individuals, and SMEs are fueled by the new National Bank Growth Scheme, which is a significant refinancing program aiming at boosting the SME finance activity of the financial institutions.”

Daniel Szabo, Country Counsel for Hungary at Hewlett Packard Enterprise, was similarly upbeat about prospects in the IT sector. According to Szabo, “I am optimistic, overall, since many major private sector players have been putting off their IT investments for years, and now they need to make a quantum leap – and we feel we’re in a very good position to meet that demand.”

And Roland Csecsei, Regional Counsel Legal & Corporate Affairs at Avon, said the news from the FMCG sector was equally positive. “We are seeing development in the industry with people spending money on different things, and [we are seeing] that Hungary seems to be quite appealing in terms of international investments.” Indeed, Csecsei said, “as a company running a shared service center here I can confirm that compared to CEE the country is well positioned.”

Daniel Szabo agreed that “we’re currently well positioned,” but cautioned that “the world is changing and competing with more and more markets is an increasing reality.”

Summing up, Sberbank’s Fenyi pointed to “some challenges that will pose difficulties in legal terms, such as the upcoming amendments in the Civil Code” but repeated that he was, “overall, quite optimistic about the overall status of the market.”

The discussion shifted to the kinds of deals supporting this encouraging trend. Edward Keller, Partner at Dentons, pointed to two types of transactions he has worked on recently that, in his view, illustrate the state of the market. “On the first I had the pleasure of working together with Zoltan Faludi: The Extreme Digital deal. This is the type of deal I have been hungry for for quite a while now, since it involved a South African company investing in a very dynamic entrepreneurial organization based on a growth story.” He explained that the second type of transaction showed that “investors are seeing past the noise and that there is some great business valuation here leading to us working on three sizeable private equity and real estate deals where investors are looking to buy in markets like Hungary because the market presents some promising profit margins.” He added: “Particularly positive is the thought that PE firms are generally first movers and we’re seeing an enormous amount of deals ongoing at the moment .... The only question at this point is how many of them will actually go through, but even if 50% of them end up panning out we’re in a great place.”

Posztl was “happy to echo” Keller’s positive description of the deal flow in the country and added that “there’s a good amount of deals, particularly looking at the food industry.” He pointed to the growth story of Fornetti [acquired in summery 2015 by Aryzta AG], and to the real estate sector “that is just booming as a result of a PE side that is hungry for investment opportunities in the country.”

Zoltan Faludi, Partner at Wolf Theiss, agreed that Hungary could boast “a good mid-sized corporate/M&A market with a nice series of transactions pending.” He referred to the encouraging and increasing number of CEE-based investors increasingly active in Hungary, which he described as “a matter of locals becoming more mature now and doing more business across the region.”

Not everything is rosy, of course. While Posztl reported increased utilization rates at DLA, he also cautioned that: “new

## Round Table Participants



Andras Posztl, Country Managing Partner, DLA Piper



Edward Keller, Partner, Dentons (Hosts)



Daniel Szabo, Country Counsel for Hungary, HPE



Roland Csecei, Senior Legal Manager Balkan & Pannonia, Avon



Zoltan Fenyi, Head of Legal, Sberbank



Zoltan Lengyel, Partner, Allen & Overy



Tamas Szabo, Managing Partner, Szabo Kelemen & Partners



Gabriella Ormai, Budapest Office Managing Partner, CMS



Zoltan Faludi, Partner, Wolf Theiss

challenges such as financial imbalances and contracting output in China are overshadowing the perspectives of the global economy. These difficulties can also influence the investors' mood in our region, with possibly a negative effect on M&A activity."

Another concern was voiced by Faludi, who pointed out that while the real estate sector in Hungary is "booming," he was concerned about the energy sector. "The government has decided to take a much stronger role in the sector all across the production chain," he explained, adding: "because of the regulatory interventions combined with the now heavy investments from the side of the state, clients are leaving the country with [the state] taking their place. How this will impact the sector in the long run is uncertain."

Gabriella Ormai, CMS's Managing Partner in Budapest, said that the developments Faludi referred to in the energy sector had forced her team to adapt as well. "Definitely, our guys had to change their practice as well in terms of going into brownfield or greenfield investments," though she noted that they had "adapted to the new market trends, and besides energy work and brownfield and greenfield investments we are now involved in more and more energy-related projects in the chemicals industry." Finally, she said, "we are expecting some move in the renewable-energy area due to the approaching 2020 deadline of EU renewable energy targets."

Faludi clarified that his frustration with the Hungarian government's activity in the energy sector was not related to his company's bottom line, as "it doesn't matter if I represent a company leaving or building," and said that, "of course, as a lawyer, we're still busy in the short-term – even if it has to do with disputes against the state."

### A "Soft Nationalization" by the Hungarian Government

The Hungarian government's increased activity in pursuit of a policy of acquisition or re-acquisition in critical sectors (which Tamas Szabo, Managing Partner at Szabo Kelemen & Partners, referred to as "soft nationalization") was a controversial one for the Round Table participants.

Zoltan Faludi noted that, as his office is staying busy, his frustration is more personal than professional, and reflects his desire to be involved in the development rather than the destruction of a vibrant energy sector. "Personally," he said, "I prefer building power stations, but, unfortunately, for the last 10 years I've seen none, nor any real investments in the infrastructure." He continued: "The so-called 'soft nationalization' does not re-



### Fees, Boutiques, and the General Commoditization of the Legal Market

The conversation moved to that familiar source of complaint for lawyers: their fees. Roland Csecsei explained that, at Avon, he's starting to give more work to boutiques, which are able to do the same work as the major firms for lower fees. He explained that, "I just finished a big RFP tender in 9 countries which showed that mid-sized boutiques seem to be very well equipped while much cheaper." Accordingly, he said, he's going to "give a chance to more such firms than before, while in critical markets, I'm still keeping the big firms." He concluded: "My goal is to compare a few years down the line to see what option makes more sense."

Csecsei emphasized that he wasn't suggesting that larger firms are always overpriced, referring to opinions he had received from such firms that "were thorough enough that I felt almost immediately it was worth the larger fee,"

Daniel Szabo's conclusion on the topic was slightly different, saying that the increased number of law firms in the market led to increased competition, so "my impression is that the good old days of uncapped fees will not likely come back." He conceded that there would always be a few niche fields in which firms would be able to charge a premium, "but generally I expect law services will be getting less expensive."

Edward Keller at Dentons said he sympathized with clients, saying: "If someone



sult in investments and building infrastructure .... Now we're in a cycle of exits, and I assume the story will repeat itself eventually. If we're lucky that will happen sooner rather than later."

Tamas Szabo noted that the "activist government's" policy affected sectors beyond energy. "It is important to emphasize that the state has a stronger role in general," he said, and pointed to the banking sector as well. Still, he noted that, despite Faludi's concerns about the energy sector, "it does not mean that no investments in the sector happen." He pointed to a new nuclear power plant as an example, although he conceded that securing that type of work entails "a need to be even closer to the state."

The challenge this poses for law firms was explained by Keller, who argued that, in general, "tendering for that type of work will usually change the profitability considerably unless you are working for the private party partnering up for the project."

Still, Keller pointed out that some of the government's acquisitions had been received well, pointing out, in particular, that "the [state's] acquisition of the stock exchange was hailed in the press as genius with a narrative pointing towards a potential IPO boom." Indeed, Keller reported, the country may be looking at its first potential large IPO since 2001, with a number of companies in the pipeline for going public.

Postzl referred to another positive result of the government's aggressive approach:

"In Hungary, despite the mixed perception of the political landscape, the solid fiscal policy of recent years has helped to consolidate the budget and to essentially improve the government's position in the financing of state debt." As a result, he said, "the activity and vividness experienced recently by the clients of business law firms was mainly the result of government policies reshaping the economic landscape and the accelerated use of EU funds in the last quarter of 2015."

Tamas Szabo nodded his head in agreement, concluding the subject with a brief summary: "This might mean more work for lawyers in the near future – but this might [also] translate into potentially more and more clients becoming state-owned down the line."







can offer cheaper quality work, you'd have to be insane not to take them up on it," but warned that they'd be well-advised to explore what they're getting for their money. Maintaining quality, he said, is key: "I'm just not interested in competing at that level since I'd have to stack up the project with junior lawyers." Indeed, Keller pointed out that smaller teams are rarely able to bring the necessary expertise and skill to all facets of a matter: "Most of the time you're looking at someone who was an associate, not a partner, but even if they are senior enough, the fact that they were an IP lawyer in their previous firm doesn't necessarily mean they can tackle your M&A work properly – you don't simply learn M&A by osmosis."

When it was proposed that the downward pressure on fees might be the result of a large number of spin-offs, as has happened in some CEE markets, Gabrielle Ormai shook her head, noting that while this may have been the case in Hungary several years ago, it has been far less common in recent years. She also pointed out that many of those split-offs that appeared several years ago "are actually still around," indicating that, "at least at the time, there was a market sector to be filled by them." By contrast, she said, "I am unsure there's much room left at the moment for others."

In any event, said Zoltan Lengyel, Partner at Allen & Overy, his firm does not pay much attention to split-offs anyway, as most of the splits are rather small and generally focused on the domestic market. His firm, by contrast, focuses on cross-border deals: "a business model that will let us carry on in the market irrespective of how many such spin-offs occur." He elaborated: "Our focus is that we are trying to bring

in transactions where at least two or three offices are involved." This, he noted, "justifies the rates you need to have in place in order to be profitable as a global firm – otherwise, it is clear that if you are competing on a purely domestic matter you need to match local rates."

Of course, it's not self-evident that the big firms are losing out to the smaller ones. Andras Posztl, while noting that, "it is a client market still," said that income for firms has been growing somewhat in recent years "due to increasing utilization rates that help the bottom line." Continuing on the subject, he pointed to a "clear trend of market segmentation" in developed markets, noting "among the AM Law 100, 25% of the top firms account for 50% of the profits, with those at the top end getting increasingly richer and more successful." He said, "it is my impression that the trend is rather similar in Hungary, especially with those international firms sophisticated enough to meet the tech-driven services demand well suited to capitalize on the trend." Finally, Posztl referred to a survey he recently read,

showing that "on one hand international and larger domestic law firms have typically enjoyed marked recovery and substantial growth in 2015, when many of the international firms surveyed reported double-digit revenue increases, but on the other hand, smaller domestic firms are still suffering from falling revenues and workloads."

In any event, Keller maintained, firms need to stay competitive by using the technologies that are increasingly available to simplify and deliver certain types of work more quickly – and thus more cheaply. Ormai agreed and explained that: "Yes, we have been focusing on various tech solutions for some time now, and the main driving force is to increase efficiency and to be able to offer more competitive rates." Tamas Szabo noted that "changing regulations also help us in this process," explaining that, "we can make more and more filings online, and we can obtain more and more official information from government databases."

But Daniel Szabo at Hewlett Packard Enterprise pointed out that that law firms aren't the only ones benefiting from these developments, as the increased use of tech-driven solutions that require less manpower are increasingly applied on the in-house side as well.

"We have to learn how to adapt our services to changing expectations of clients and keep in mind that market realities are changing," Faludi explained, adding: "15 years ago an M&A loan agreement draft was a 'biggie' in the market. Now it's a commodity. I started my career as a waiter and was always told 'whatever I do, the restaurant will be full tomorrow' – this is not that type of business, and we need to be very aware of that."



Gabrielle Ormai agreed: “We’ve seen several cycles of in-house teams’ growth and declines, and firms have always had to adapt. There were times where we had to generalize our service offering since there were no GCs in place, and others where we had to specialize to add value later. We’re now faced with a need to adapt to match the requirements and preference of one point of contact and a standardization of services provided.”

### Kids Today

Finally, the conversation turned to the younger generation of lawyers.

Edwards Keller insisted that the approach of new lawyers to their work “is very different” from that of his generation. He reported that, “we’re having a much harder time enticing the type of talent we would usually aim for. The idea of working on fascinating deals is not enough anymore. Paying more is no longer enough either. Instead, the 26-year-olds and under are placing a premium on quality of life and are scared to commit to the type of work of law firms at this table. They are also more focused on working abroad or even launching a career on the business side rather than a hardcore law career.” As a result, Keller said, “we are taking active steps in building up a different image. We have a reputation of being a sweatshop, and we are trying hard to fix it. We are trying a softer-attraction-points approach.”

Gabrielle Ormai agreed with Keller’s analysis of the younger generation. “Yes, I also share this view. It is hard to find good and dedicated candidates; and we often feel that fresh graduates do not know what they want (whether it is corporate, property, or employment law that they would like to engage with), are not familiar with the market, and have no work experience.” Like Keller, Ormai also pointed to an apparent lack of drive: “We also regularly attend job fairs of prominent universities, but students are not prepared, have no resumes with them, and do not proactively seek opportunities.”

Fenyi said the problem is the same in-house. “When we are looking for new junior colleagues ... we usually come across two main problems: one is quality of knowledge and, more problematic, one is quality of approach.” He added: “I’m unsure if it is a social problem or a matter of education, but younger lawyers seem to not



care that much about quality of the work product, and that becomes even more of a problem when we take into account that, ten years ago, banking was a relatively straightforward area of law. Now, it’s a highly regulated sphere which adds just so much more complexity to what’s expected from lawyers in the field, and it is proving difficult to find someone prepared to take on the challenge ... and even if you do, it seems questionable if they will succeed in the long run.” This difference, Fenyi argued, “is a great challenge for both companies and private practices.”

Andras Posztl suggested that, in addition to a change in priorities for young law graduates, firms were also facing greater competition for them. “Interestingly,” he said, “we’re competing with the likes of McKinsey or BCG for fresh grads these days, with the young generation seemingly being more interested in the business exposure that these types of consultancies offer.”

Not everyone agreed that the problem exists in the first place. Tamas Szabo noted that his firm has not encountered this problem, and Lengyel suggested that firms need always to adapt to the expectations and needs of their lawyers. “The service we provide is pretty much determined by the people around us. If we face a new attitude of people joining us we also have to adjust. We cannot simply blame a whole generation for [our] not being able to motivate them.”

Finally, Keller referred to one unusual consideration: the so-called “lost generation” of lawyers which “came on stream in 2007 and 2009 but didn’t really get work, who now are forced to compete with their younger counterparts.”

*“We were delighted to host this round table discussion. We at Dentons continue to believe in the Hungarian market, and it was interesting to see that our peers largely share the same opinion. Of course it is always enlightening to discuss the market with our peers and to exchange opinions, and we are grateful to CEE Legal Matters for organizing.”*

*- Edward Keller, Partner, Dentons*

### Last Thoughts

In closing, Lengyel referred to all the risks identified by others at the table (including fee pressure, quality of young lawyers, potential threats of declining transactions due to interventionism), but said that, “compared to 2007/2008, if winter is to come, we have time to prepare this time.” His only real concern was related to the Government, and he sighed in frustration: “In Hungary, I fear there is no real rule of law. And I fear that while at the moment the potential risk/value assessment is assumed by potential investors, the private sector is shrinking because of the current approach. For me, it’s bad news as our client base comes from the private sector.” Faludi, who had raised similar concerns when discussing the energy sector early in the conversation, added that, at least for now, it is “good to see that privates are not deterred by default but simply price it in.”

*At this point the Round Table drew to a close. We’d like to thank Dentons for hosting the engaging and informative event, and we look forward to reconvening next year.*

*Radu Cotarcea*

# Market Snapshot: Hungary

## Revival of CEE and SEE Regional M&A Market



Kornel Szabo,  
Senior Associate,  
Jeantet Hungary

2015 was a record year in the Hungarian M&A market. Both in terms of value and number of transactions, 2015 was the best year since 2008, with approximately 160 closed transactions and an aggregate value of approximately EUR 2 billion. Although the acceleration follows global trends, the Hungarian market has a few specifics that will further enhance a growing

M&A market in 2016 as well.

### Global Perspectives

Intralinks Deal Flow Predictor, a survey of 680 global M&A professionals, shows that a majority of professionals are optimistic about the global M&A environment and expect more deals in 2016. While US news is mixed (there is uncertainty following U.S. interest rate increases and the impact of an economic meltdown in China, despite positive growth numbers), Europe can expect positive financial developments, such as economic growth in Western European countries and a likely increase in the European Central Bank's quantitative easing policies. In addition to this mildly positive market environment, technology will likely also result in more effective and numerous M&A transactions in two aspects. First, technology provides businesses and M&A professionals with new tools and solutions (various cloud services, social deal sourcing, etc.) to increase the effectiveness of M&A deals. In addition, disruptive technologies drive M&A deals from a different angle as well: traditional companies without significant innovation backgrounds, fearful of being left behind in the market, are trying to buy disruptive information and technology companies to secure their future markets.

### Regional and Local Trends

M&A markets are growing in Central and South Eastern Europe – especially in Poland, Hungary, Serbia, and Bosnia Herzegovina. While US and UK investors remain active within the region, which also sees more and more investments from China, South Korea, and Japan, the majority of deals remained local.

The increase in M&A transactions in Hungary started in 2013, and both deal structures and the legislative and economic background suggest a continuing growth. Based on the report of EY Hungary, 61 percent of M&A transactions in Hungary involved local parties, followed by US and German investors. The high ratio of local deals is partly the result of the Hungarian state, or state-owned entities, remaining active on the M&A market, a phenomenon that will most probably last through 2016 as well.

The IT and high technology sectors will probably continue to provide exciting investment opportunities for private equity and venture capital firms in the CEE region. The partially EU-fund-



Francois d'Ornano,  
Managing Partner,  
Jeantet Hungary

ed JEREMIE (Joint European Resources for Micro to Medium Enterprises) venture capital firms were highly active in Hungary in 2015 as they attempted to invest all their funds before the scheduled 2016 expiration of the investment. These smaller investments in Hungarian start-ups will enable them to develop and test the marketability of their products. Successful JEREMIE-funded start-ups in the coming years will require larger investments (in the EUR 10-20 million range), which will provide a rich investment opportunity for private equity firms and strategic investors. The regional start-up arena should also be prepared for the announcement of the new EU-funded JEREMIE venture capital programs of the 2014-2020 programming period. Member states in CEE secured significantly more EU funds for the venture capital programs in the 2014-2016 programming period than earlier and, after a lengthy preparatory period, programs can be expected to be launched in 2016 by CEE EU Member States and the European Investment Fund. The revival of commercial real estate deals in the region may be boosted further in Hungary thanks to the Central Bank of Hungary's Mark Zrt. distressed-asset purchase program, announced for credit institutions. The program's aim is to clean up credit institutions' balance sheets from non-performing commercial real estate loans in order to boost fresh lending in Hungary, which may also speed up commercial real estate transactions as a result.

In brief, the growing M&A trend in the region seems to be sustained and may even be speeded up in the coming years.

By Kornel Szabo, Senior Associate, and Francois d'Ornano, Managing Partner, Jeantet Hungary

## Sharing Economy Concepts: Legal Challenges in the Real Estate Sector



Tamas Balogh,  
Attorney at Law,  
Schoenherr Hungary

Airbnb and Uber have changed the way we think about travelling and accommodation, but how does a sharing economy affect the real estate sector?

While a sharing economy is not new in other fields of the economy, it has only become widely used in the real estate sector in recent times. Room sharing, office and workplace sharing, and even sharing of

parking spots are getting popular, while several applications aim at improving the coordination of construction projects by sharing workforces and equipment. The shifting of consumer preferences from ownership to sharing, from individual use to co-operative



utilization appears to be a worldwide trend. Whether the model is connecting consumer-to-consumer or business-to-business, people find new ways to connect and share their resources.

However, despite the economic and social benefits of the concept, the opportunities do not come without challenges.

### Legal Challenges for Sharing Economies

In terms of regulatory regimes, sharing economies are often considered as a grey area between highly regulated business activities and less legally controlled acts of private individuals. The disputes between room-sharing companies and the hotel industry which have been in the media spotlight lately have revealed some general issues and regulatory gaps which could also impact other sharing economy concepts.

In Hungary, for example, room sharing does not qualify as a standard lease relationship but as a short term accommodation service provided by the host. While lease agreements aim at the long term lease of properties and require no permits and licences in general, accommodation services are limited to a shorter period, may involve additional services not traditionally associated with leases (such as cleaning services, serving breakfast, etc.), and may also be subject to certain licensing and notification obligations. The problem with this distinction is well known: some hosts do not obtain necessary licences and fail to pay taxes in connection with the services provided. Given that these hosts are actually competing with hotels and other accommodation service providers, they can therefore obtain an economic advantage to their competitors and cause significant tax revenue losses for the state. Because in typical cases both the host and the guest are private individuals, non-compliance with these provisions is extremely difficult to monitor and track down by the competent authorities – in particular the tax authorities. Frequently the conditions of the agreement between the host and its guests are not clearly regulated, and/or the general terms and conditions are not available in certain languages, which can lead to legal disputes and also cause consumer protection issues. One of the greatest challenges of sharing economies will be to mitigate language, liability, and security concerns.

In Hungary, other legal concerns have also arisen in connection with room sharing activities, as the growing demand on hosting services and the increased use of privately owned properties for short term rentals has caused a shortfall in the amount of real estate available for general living and housing purposes on the market. These two factors together have resulted in a rise of rental fees and purchase prices on residential property market in Budapest.

In light of present market trends, it is not hard to anticipate that new sharing economy models and concepts will appear in the near future. As the sharing economy expands and becomes more and more common, it is vital to set the boundaries between collective sharing and business activities and between regular users and users for business purposes. Given that the regulatory gaps of sharing-economy models will be regulated in a proper and reasonable way that considers changing consumer habits and the need for ensuring competition on the relevant markets, nothing will stand in the way of future growth of sharing economies. Nevertheless, the incredibly fast expansion of sharing economies has shown that we cannot take existing business models for granted.

By Tamas Balogh, Attorney at Law, Schoenherr Hungary

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## Private Enforcement Litigation Environment in Hungary



Eszter Ritter,  
Managing Associate,  
Andreko Kinstellar Ugyvedi Iroda

February this year saw a possible end to the first set of private enforcement litigation proceedings in Hungary.

The Debrecen Court of Appeal upheld the first instance judgment of the Eger Court, which had dismissed a claim brought by NIF Nemzeti Infrastruktúra Fejlesztő Zrt. (the NIF, a State-owned road infrastructure development company) against two defendants. The

two companies had been fined by the Hungarian Competition Authority (HCA) in 2005 for bid-rigging in a motorway construction tender published by the NIF in 2002. Following the HCA decision and the court rulings upholding that decision, the NIF launched several lawsuits against the cartelists at the end of 2007, the last of which ended at first instance in October 2015, and at second instance in February 2016.

The length and the outcome of the procedure may suggest that it is not particularly easy to bring successful cartel damages claims in Hungary. So far, such claims have been tried primarily in the road construction sector. The biggest difficulty claimants (mostly tender publishers) have faced is proving not only the amount of their loss, but also that it was they who suffered the loss – i.e., that they did not pass on the loss to the entity that ultimately financed the construction. For example, in the motorway cartel cases, this difficulty was pinpointed by the fact that at one point both the NIF and the Hungarian State had lawsuits filed against the same cartelists before two different courts – a circumstance that led to the automatic inadmissibility of one of the lawsuits. The courts in all the lawsuits filed by the NIF essentially held that since the State had refunded all expenditures that the NIF had spent on the

motorway construction, the NIF could by definition not have suffered any loss of its own assets, irrespective of whether the cartel had a price-increasing effect.

Like all EU Member States, Hungary will have to implement Directive 2014/104/EU (the EU Private Enforcement Directive) by December this year. The Directive in itself is not of ground-breaking significance in terms of the potential possibility of bringing private enforcement claims against defendants in Hungary. For example, Hungary is one of the very few countries in Europe that introduced as early as 2009 a (rebuttable) statutory presumption that a hard-core cartel causes a 10% increase in prices. Furthermore, Hungarian courts can also consider competition damages claims where the HCA decides not to open an investigation, although such cases are rare in practice.

By Eszter Ritter, Managing Associate,  
Andreko Kinstellar Ugyvedi Iroda

## Wind Power Plants – The Hungarian Market Perspective



Peter Gullai,  
Attorney at Law,  
Schoenherr Hungary

Renewable energy, especially wind energy, is becoming more and more popular all over the world. It was expected that the declining demand for oil and other traditional sources, which led to lower prices, would be mirrored in renewables. Surprisingly enough, the opposite happened: in 2015 a record global investment was achieved in the sector, resulting in a 4% expansion in the sector compared to 2014.

Notwithstanding this global expansion, it seems that Hungary is still not particularly interested in windfarms or wind power-plants. In spite of some positive reports from local investors who established their wind energy businesses long ago, the current economic environment is still unfavorable as a result of complicated licensing procedures required to establish wind power-plants or wind farms in Hungary. These power plants or wind farms can only be installed once an investor wins a capacity tender initiated by the Hungarian Energy and Public Utility Regulatory Authority (the “Authority”). Making a business decision to be involved in a wind power plant project requires reliable information as to whether or not a tender will be published, and if it is, additional reliable information is required about the details of the tender. In addition, the difficulty is not only in getting the appropriate information regarding the tender. Prior even to applying for the tender, environmental and building permits, as well as a simplified small power-plant license, have to be obtained and must be attached in support of the application. In light of this time-consuming and complex procedure, it is difficult to imagine that anyone would want to invest time and money into this process before it is even ascertained whether a tender invitation will in fact be published or not.

As a precondition to the tender publication, the Authority has to analyze the following on a yearly basis: (i) whether it is possible to establish new wind power-plant capacities, and, if it is; (ii)

how large the capacity will be. The Authority should publish the outcome of such analysis on its website every year by March 31. On the day of writing this article (on April 1, 2016, one day after that deadline), however, the analysis was still unavailable. If the Authority decides that it is possible to establish new wind power-plants, it initiates the tender procedure by publishing an invitation to the public.

In the absence of a tender, it is impossible to establish wind turbines in Hungary. The last wind energy capacity tender was published in 2009, but it was withdrawn in 2010 by the Authority itself due to some legal amendments at the time, and thus none of the applicants were successful. Since then, no tenders have been published, so it seems fair to deduce that there is no current political intention to establish wind power plant capacities. The opinion of energy professionals is that priority has been given to nuclear energy as a result of the deal with the Russian State to build a new nuclear power plant, scheduled to be put into operation in 2025-26, and what is more, many energy professionals believe that the government is simply not interested in renewable technology at all. The official argument against wind power plants is that they can be a burden on an electricity system – too much power is generated in windy circumstances, and not enough energy is generated to sustain the grid when there is a dead calm – which makes it impossible to predict the exact energy flow.”

However, Hungary is required to meet energy-production standards set by the EU, which stipulate that renewable energy sources reach approximately 15% of all energy production in Hungary by 2020. The ratio is below 5% now. To achieve this target, new technology – a storage system based on lithium batteries – may help. Using storage means that the continuous stream of power can be ensured, and if this technology spreads, the official argument regarding limited technical possibilities will become outdated. This may be the solution which will lead to a fundamental change in the Hungarian licensing regime for the better.

By Peter Gullai, Attorney at Law, Schoenherr Hungary

## Update From Hungary In Light Of Recent Developments In European Data Protection



Zoltan Kozma,  
Counsel,  
Horvath & Partners DLA Piper

Last October an amendment to the Act on Informational Self-Determination and the Freedom of Information (Info Act) entered into force in Hungary. Certainly the most important aspect of this modification for the business sector was the introduction of Binding Corporate Rules (“BCRs”) into Hungarian law.

BCRs are internal rules adopted by multinational companies to apply to international transfers of personal data within the same corporate group to entities located in countries which do not provide an adequate level of protection for the rights and freedoms of data subjects in the processing of personal data. BCRs ensure that all transfers made within a group benefit from an adequate level of protection, which is required

by European Union Directive 95/46/EC for transferring personal data to third countries. This is an alternative to the company having to sign standard contractual clauses each time it needs to transfer data to a member of its group.

Although the new rules of the Info Act on BCRs suffer from certain deficiencies, privacy professionals have welcomed the introduction of BCRs into Hungarian law, as their absence has in the past resulted in a significant competitive disadvantage for Hungary.

After many years of waiting for the introduction of BCRs into Hungarian law, the timing of the amendment was impeccable. Almost at the same time the new BCR regulation came into force in Hungary, the Court of Justice of the European Union declared, in a ground-breaking decision, that the US Safe Harbor scheme was invalid. The US Safe Harbor framework was established 15 years ago to provide a mechanism by which European businesses could validly transfer personal data from the EU to the US. It was commonly adopted to support data transfers needed to support intra-group operations, for example to assist a US parent in managing EU based activities.

The Article 29 Working Party – the independent advisory body that brings together representatives of all Data Protection Authorities of the Member States as well as the European Data Protection Supervisor – and the European Commission quickly made it clear that while data transfers can no longer be based on Safe Harbor certification, standard contractual clauses and BCRs can in the meantime still be used as a basis for data transfers.

As a result of these changes, the role of BCRs has become more important, and the first couple of BCRs have already been approved by the Hungarian Data Protection Authority and published on its webpage.

Compliance has also become more important in Hungary, because the amendment also doubled the penalty that can be imposed by the Authority – up to HUF 20 million (about EUR 67,000) in case of non-compliance with data protection laws. Data Protection Authorities in other EU countries (e.g., in Germany) have already initiated proceedings against multinational companies that were unable to provide alternative safeguards instead of Safe Harbor.

Since BCRs may only provide a solution for transferring personal data within the same corporate group, the new US-EU Privacy Shield program, which is intended to replace the now defunct US-EU Safe Harbor program, is eagerly awaited. The importance of the standard contractual clauses (model clauses) for data transfers is unquestionable, but the use of the model clauses can still be burdensome for big data controllers and may raise issues for US organizations, since the implications are hard to assess in advance (e.g., what rights the EU Data Protection Authorities have in connection with their entitlement to conduct an audit of the data importer).

Although the US Commerce Department and the European Commission released the details of the new Privacy Shield program at the end of February, 2016, it is still too early to tell whether EU authorities will agree with the details of the program.

By Zoltan Kozma, Counsel,  
Horvath & Partners DLA Piper

## How Will the Recent Social Housing Subsidy Scheme Affect the Market?



Monika Frank,  
Managing Associate,  
Andreko Kinstellar Ugyvedi Iroda

At the end of 2015, significant amendments to Hungary's social housing subsidy were introduced, further stimulating the residential property market and lowering the VAT on certain new residential properties.

### Summary of the New Subsidy

The new amendments widened the scope of subsidies available for families purchasing or constructing new residential properties that were originally introduced on July 1, 2015. (In addition to these amendments, a further subsidy was implemented regarding the purchase of or building of extensions to already existing residential properties.)

The amended provisions for the purchase or construction of new residential properties provide the following benefits: (i) a lump-sum non-refundable state subsidy (the so-called "CSOK"); (ii) a tax refund; and (iii) an interest-rate subsidy for families with three or more children.

The CSOK is a non-refundable state subsidy for constructing or purchasing new residential properties, available for young (in certain cases only married) couples, the amount of which depends on the number of children they have or undertake to have within a determined period.

To be eligible, the applicant must have had social security for at least 180 days, no criminal record, and no public debt.

Both the maximum amount of the subsidy and the minimum useful net floor area of the real property which can be constructed or purchased through the CSOK depends on the number of children in the family. For example, in families with only one child, the CSOK requires a minimum 40 square meters as useful net floor area and provides a subsidy in the amount of HUF 600,000, while families with two children are entitled to a subsidy of HUF 2,600,000, and families with three children are entitled to HUF 10 million).

A further condition is that the subsidized persons and their children must reside in the constructed/purchased new apartment for 10 years.

### The Expected Impact of CSOK on the Market

In line with the improving investment climate in the Central European region, and as Budapest is currently one of the most attractive European cities for property investors, the recent legislative changes are expected to further stimulate the market.

Investments postponed by investors in recent years are expected to commence in this and upcoming years, and the CSOK will further increase the number of private investments – an expectation bolstered by the increasing number of obtained building permits. However, these constructions have not yet begun, and the first of these construction projects is expected to be finished in early 2017.



The Hungarian savings bank TakarekBank revealed in February that it has registered some 15,000 clients potentially interested in CSOK.

Based on its own estimation, OTP Bank expects to receive a large portion of the applications. According to OTP's Director, Zoltan Kormos, only 9% of the bank's clients were planning to purchase a newly built property.

With regard to the amount applied for, only a small proportion of the applicants applied for the highest amount of CSOK (i.e., for HUF 10 million). However, the number of those who are interested but who have not yet applied is high (e.g., 30,000 from OTP Bank).

At the beginning of this year, several procedural difficulties slowed

down the application for CSOK (e.g., obtaining verification that the applicant has had social security for 180 days, the underestimation or overestimation of construction costs). The good news is that these initial difficulties are starting to wear off. According to credit intermediaries, the review of an application now takes only five to six weeks.

For the remainder of the year, most experts expect a boom of CSOK applications (e.g., OTP Bank expects 40,000 applicants), which would have a further beneficial impact on the already positive investment climate.

By **Monika Frank**, Managing Associate,  
**Andreko Kinstellar Ugyvedi Iroda**

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# Inside Insight: Daniel Szabo

## Country Legal Counsel for Hungary at Hewlett Packard Enterprise



*Daniel Szabo is the Country Legal Counsel for Hungary at Hewlett Packard Enterprise, where he has been for almost two and a half years. Prior to that he worked for Magyar Telekom as Legal Counsel, Foreign Subs and M&A for almost 5 years. Earlier still he worked in private practice as a Junior Lawyer with both Allen & Overy and Nagy es Trocsanyi.*

### **CEELM: What was your career path leading up to your current role with HPE?**

D.S.: I knew I wanted to be a private sector lawyer, and I was fortunate to have had the opportunity to explore a number of career paths. I started off with a brief tenure at Nagy es Trocsanyi, a renowned local law firm famous for its dispute resolution practice. I felt that I wanted to be closer to business than I was as a trial lawyer, and I transitioned to Allen & Overy's Budapest office, where I was doing mainly M&A and transactional work. This turned out to be my ticket to join the team of lawyers at Deutsche Telekom's Hungarian subsidiary, Magyar Telekom. I spent close to five years overseeing M&A transactions and the key legal matters of MT's foreign subsidiaries. It was at this time that I realized an in-house position fits my personality and interests best. I was therefore very glad to step up to the next level as country counsel for Hungary with Hewlett Packard. I am responsible for HPE's local legal affairs and am a member of the country leadership team.

### **CEELM: You've spent your entire in-**

**house career in technology-driven companies. How do you feel that influences your role as a Head of Legal?**

D.S.: The pace at which the industry is evolving is head-spinning. One must be very open-minded, otherwise one cannot adapt at the rate and frequency that the market dictates. This is true for an IT lawyer as well. Just as cutting edge IT becomes a top priority for other industries, technology is transforming the way lawyers work. Document and case management systems and time tracking and approval tools and similar innovations can dramatically increase efficiency and transparency. This in turn may mean fewer lawyers or different legal roles. I learned to embrace change and understand that it is likely to have a significant effect on my career. The future of law is more exciting and more in a state of flux than ever.

### **CEELM: How does a GC in a Technology, Media and Telecommunications company learn to find the right balance between mitigating risks and not acting as a brake on innovation?**

D.S.: Given the hectic and ever-changing nature of the TMT industry we must be very focused. Saying no unnecessarily is just as costly as taking unjustified risk. A deal stopped for lack of focus is just as wasteful as unnecessarily postponing innovation for the same reason – for example by insisting on cumbersome wet ink signatures when they are not really needed. So while striking the right balance may be particularly challenging in this fast-paced environment, we must be just as committed to lawful and ethical decision-making as GCs of any other sustainable and complex business are.

### **CEELM: On the Hungarian market, what type of legal work keeps you and your team busiest?**

D.S.: Some of the most exciting and advanced legal work we do in Hungary is selling complex integrated IT solutions to solve our customer's problems. To put it simply, [providing] business outcomes rather than just servers or services or software. Such complex contracts require legal expertise in the areas of intellectual property, licensing of proprietary and open source software, commercial contracting, revenue recognition, and so on. The Hungarian team con-

sists of a deal-support attorney and myself, and we work with external counsel on a regular basis. I think that around 80% of our work is deal support and the rest goes to supporting our functions, including HR, finance, real estate, procurement, ethics and compliance, and other areas. I also dedicate some of my time to country management tasks on the country leadership team. The team is also doing pro bono work for NGOs in need of legal advice in cooperation with Pal Szabo of Weil Gotshal & Manges Budapest.

### **CEELM: How was HP's recent split of its legal function managed and what were the main learning points for you following the experience?**

D.S.: Hewlett Packard Enterprise and HP Inc. adopted different strategies in relation to their Hungarian legal operations. The former, which has a larger footprint in the country, chose to keep the team as is, though with adequately adjusted resources. The latter, being locally a smaller business operation with mostly indirect contracts, opted for a different operating model. An experienced regional legal counsel based outside the country is overseeing its legal affairs, with the help of local external counsel. It was interesting that up to the split we owed a fiduciary duty to the shareholders of the united company and we had to set both splitting companies up for success. There was no room for switching to the perspective of your future company before the split.

### **CEELM: Looking back at your almost 2.5 years with HP/HPE – what was your most challenging project and why?**

D.S.: The company adopted different approaches to legal support in Hungary over the years, and I joined after a period in which the company had no local country counsel. Setting up the legal operation, getting acquainted with a dazzlingly complex business, and establishing myself with senior sales people and the country leadership team was the toughest challenge. I just managed in time for helping with the company split. While I am confident that I am doing well, you don't grow into such a role in a couple of months. It takes a long time and constant effort.

### **CEELM: What would you identify as the**

### biggest skill gap in terms for senior in-house counsel in Hungary?

D.S.: I cannot point to a specific skill gap but I have a general comment to make. My impression is that we tend to have a local rather than an international mindset. By this I mean that we are measuring our

skills, performance, and career aspirations against benchmarks on the Hungarian market whereas in multinational companies the playing field is a lot wider.

**CEELM: On the lighter side, what one spot in the world is at the top of the list of places to see in your lifetime?**

D.S.: I traveled parts of the Trans-Siberian Railway with my mother and sister when I was a child. My dream is to do the whole trip from Moscow to the Pacific Ocean one day, and perhaps go on to Japan.

Radu Cotarcea

## Inside Insight: Szilvia Bogнар General Counsel - Law and Compliance at Bayer Hungaria



*Szilvia Bogнар is the General Counsel – Law and Compliance at Bayer Hungaria. She first joined the pharmaceutical company in February 2014. Before that, she was a counsel with Nestle between August 2006 and January 2014. Bogнар's experience includes traineeships with the Krankovics Panszky Arva Law Firm, Heinzelmann and Partners Attorneys-at-law Hengeler Mueller, and the Constitutional Court of the Republic of Hungary.*

### CEELM: Please tell us a bit about your career path leading up to your current role with Bayer.

S.B.: The insight I gained during my university years oriented my attention towards law firms, so I worked for them for two years after graduating. I focused mainly on civil law, but my valuable first experience included a good and general manner of approach (how to deal with any kind of legal matters). As I found it not appealing to become one of umpteen attorneys, I strove for excellence so that I would have greater chances

of success when faced with the fierce competition of the legal services market. As an in-house counsel I got closer to the business side, which enabled me to render more tailor-made solutions – which I would emphasize as one of the great added values of working for a company. I appreciate that I had the chance to work not only on the local level, but also in the headquarters of the company, dealing with issues from a different perspective. Moving back to Hungary, I wanted to leverage my knowledge, but it appeared I had great opportunities to grow more outside Nestle, so I joined Bayer Hungaria

to set up its in-house legal function.

**CEELM: With Nestle you worked for an FMCG company. What was the biggest thing you had to adapt to when moving to an in-house role within a more regulated industry?**

S.B.: In my view it is not extra challenging if an industry is heavily regulated. However, it does increase the level of complexity in many instances. I think one must accept this fact and show sensitivity to certain issues and develop a great compliance culture. You may set up a new work stream in weeks, but attitude may take years to change.

**CEELM: How large is your current team, and how is it structured?**

S.B.: Right now there are three qualified lawyers working in-house, but we may take external legal services for specific issues (for example we would not have the capacity to deal with litigation issues on top of the daily legal consultancy we provide).

Besides the area of Legal, I am also responsible for Compliance, Export Control, and Data Privacy.

**CEELM: What does Export Control mean?**

S.B.: Export Control refers to my tasks on the monitoring of foreign trade, which is, normally, unrestricted. However, there are certain national and international restrictions to observe regarding the export of physical goods, software, technology, and services. Our function really is one that I'd describe more as an information-sharing one. We focus on staying apprised of such restrictions and, whenever a new one pops up, or if another is relieved, we process the ramifications and pass on the information to our operational colleagues.

**CEELM: Why do you separate Data Privacy from the Compliance Function?**

S.B.: It must be due to historic reasons. Data



Privacy used to be handled by the IT Departments of Bayer. We now keep it separate because of its evolving significance, in particular in the digital era.

**CEELM: Some companies prefer bringing the different functions of regulatory, compliance, and legal within the same umbrella. Others choose to separate them. What are your views as to the most effective set-up?**

S.B.: One of my objectives is to foster cross-functional cooperation, and I have a great working rapport with many internal teams and stakeholders. I find this crucial to achieve efficiency, reduce complexity (if possible), and find the most appropriate solutions. My personal opinion is that it is also key to have clear roles and responsibilities for the separate enabling functions; therefore, I prefer to have them as separate functions, but I fully concur that the more they cooperate, the better added value they deliver to the business.

**CEELM: As a sometimes-client of law firms, what are the biggest trends you notice in the legal services market?**

S.B.: I have noticed that the legal services market has changed a lot in Hungary. I be-

lieve most companies have already decided to establish an in-house legal function, not only due to budget constraints, but because of the tailor-made solutions designed for business and other competitive advantages that a legal function can add.

Many of our businesses are set-up in regional clusters, and I detect this trend for law firms as well. Furthermore, more and more they need to feature valuable expertise in specific areas so that they can maintain constant collaboration with their clients and they must also be creative as to how to make their qualities visible for potential clients.

Having a reasonable and consistent approach pays back in the long run, in my opinion.

**CEELM: Compliance is one of the items at the top of the agenda for most GCs we speak to. Do you find that operating in a regulated industry means that the function is more straightforward than your previous experiences, given the more extensive legislative coverage, or do you feel it adds an added strain on the function?**

S.B.: As I mentioned earlier, ideally compliance should not appear purely as a function, but as the way of doing business. The re-

spective compliance colleagues are sort of mechanics who offer a wide variety of instruments. In general the compliance function is more straightforward in regulated industries, but this does not always apply, as the field of compliance is evolving fast. The trend requires not only compliance with laws but also preventive measures to identify and mitigate risks. For this reason, there are great examples from regulated industries of companies who have a strong and well-established compliance culture.

**CEELM: Speaking of which, what legislative updates on the horizon are you keeping an eye on in Hungary?**

S.B.: Right now, as Bayer is a life science company, I mainly follow the related fields of law (e.g., pharmaceuticals and crop-protection legislation), but there are some golden key areas like antitrust or data privacy.

**CEELM: On the lighter side, if you could pick any other profession tomorrow, what would you opt for?**

S.B.: As I am pleased to be a lawyer, I have never thoroughly considered this, but, in all likelihood, I would have become a surgeon should things have been different.

Radu Cotarcea



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## Inside Insight: Janos Miklos Jakab

### Legal Director at Coca Cola HBC



*Janos Miklos Jakab has been the Legal Director of Coca Cola HBC for the last two years. Prior to joining the soft drinks company, he worked as an external consultant as the Managing Partner of Island Hill Consulting, preceded by a long tenure with British American Tobacco from January 2001 to 2012, by which time he had become BAT's Director of Legal and Security Affairs for Hungary and Austria.*

#### **CEELM: Can you tell us how you got to your current role with Coca Cola HBC?**

J.J.: I graduated from the Legal Faculty of the University of Pecs in 2000, but my career with British American Tobacco Hungary started in 1999 as a Legal Management Trainee. My leaders' focus was to teach lawyers how to develop business acumen and leadership skills. Later on I became a Legal Manager and spent 2003 in London at the corporate headquarters as a Marketing Support Counsel. Returning to Hungary in 2004, I was responsible for BAT's CSR initiative: Social Dialogue and Social Report. From 2005 until 2009 I was the Regulatory and Marketing Legal Manager, and in 2009 I became the Legal Director. From 2010 my responsibilities were extended to Security and Austria. I left BAT in 2012, and after a sabbatical year I started consulting small and medium-sized enterprises and providing strategic legal insights into their future plans. During my consultancy years I missed being

an integrated part of a business team, so I answered Coca-Cola Hellenic's call. I joined the organization in May 2014 as its Legal Director.

**CEELM: Your LinkedIn profile says that you aim to “provide easy-to-understand, business oriented legal input to strategic business decisions ... in a way that non-legal decision makers fully understand risks, opportunities, and benefits.” That sounds great in theory, but how does a GC go about applying this in practice? How have you learned to adapt your communication to the board to both convey the risks but also maintain a business-oriented focus?**

J.J.: In my experience the key to a successful GC is threefold: business understanding, integration, and proactivity. A well-functioning GC would be able to take over the leadership of any business function, as he/she is fully aware of the operational, management, and

strategic position of the company, and has the necessary leadership skills and insights. Thus, being integrated is the first step. There is nothing worse than when legal issues are identified by non-lawyer colleagues, as most of the critical points may be missed. This is the reason why a good GC spends most of his or her time with business colleagues, watches out for potential landmines, and identifies legal risks him/herself during the planning phases. Then Legal needs to be proactive in picking up these points and running with them, using his/her integrated position to be able to influence the business processes. I believe that a well-functioning legal team is like a swan: it swims so elegantly and smoothly on the surface of the water, but there is a lot of hard work underneath that stays invisible. Yes, sometimes the swan needs to fight if attacked, but business as usual should be smooth and calm.

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**“The key is to follow the ‘KIS’ principle: Keep It Simple.”**

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For me personally, joining the board after over ten years of experience did not make it necessary to adapt the communication style. If a GC is an accepted functional and leadership expert, then his/her peers will know that if he/she has something to say, it is important. The key is to follow the “KIS” principle: Keep It Simple. They do not need to understand the legal background. If the presentation of the issue already contains proposals for a solution that fits the business strategy and has the potential to deliver the planned business results, such decisions are no-brainers. If it does not, and the GC needs to pull the handbrake on any issue, of course the risks need to be presented adequately, but it is vital that business peers are involved in the final decision. Legal should never be a Sales Prevention Department, and also should not be seen as a function that wants to control everything. Good in-house lawyers are business enablers and referees. A good basketball referee does not interfere in the game – he/she just makes

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sure that the game stays within the rules. And I have seen so many basketball referees smiling after a nice game is played. They are challenged sometimes by the players after a call, but at the end of the day both teams know that without the referee havoc would break out.

**CEELM: “Preventing” rather than “fixing” legal issues is at the top of the agenda for almost any GC. What are the compliance best practices you’ve developed over the years working in-house?**

J.J.: Integration means that business colleagues know that involving Legal in the business processes as early as possible has huge benefits. First, the overall direction is discussed, and they know that if they continue along the path, no major issues should surface. Later on, when management is implementing the strategy into action, our involvement ensures that all potential issues are managed way before they can occur. Finally, during the operational roll-out, things should be overall OK, although sometimes minor issues surface at this stage. Staying integrated and fast in reacting allows business to deliver in a compliant way. Let me use an example: if a creative idea has already been discussed with legal, the development of the campaign should already be “safe.” As the visuals and the television advertising are finalized and edited, they should already be compliant with what is required, and the final sign-off should be a formality. In order to achieve this my team and myself spend more than 50% of our time in business meetings, especially regular status updates, allowing for insight early on. And we speak up during these meetings and let our opinions be heard, and make sure that all loose ends are tied up on time.

**CEELM: Following up on that last question, many point to compliance more as a matter of culture than policy. Do you agree with that, and if so, how does one go about influencing that side of the organization from a GC role?**

J.J.: I could not agree more. Marketing for example always likes to push the envelope, however with good training and overall communication all would agree that we should never hit a wall head on. If they are aware of the risks, and those risks do not only involve potential penalties but also a reputation risk to the brand through social media, they are more sensitive. Risks need to be explained in a way that makes sense to non-legal colleagues, and we should make them understand we are here to make their lives easier and are in the same boat rowing the business

on. Driving a canoe has two movements: one strong push forward and a little move to the side for steering. If we also participate in the pushing, non-legal colleagues will support and even get involved in the steering movement, as they know this will allow the canoe to stay on the most efficient course and will not hit another vehicle in the water.

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*“A well-functioning GC would be able to take over the leadership of any business function, as he/she is fully aware of the operational, management, and strategic position of the company...”*

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**CEELM: What are the main differences in your view between working for Coca Cola as compared to in a more regulated industry?**

J.J.: Honestly when it comes to regulation the two industries are not so different if we look at the sheer volume of laws and regulations affecting their operation. The major difference is that the regulatory challenges tobacco faced and faces today is in every element restrictive. Higher taxes, advertising bans, regulations affecting branding surface on the packaging, restrictions on consumption and purchase occasions, and so forth. Tobacco was and is trying to navigate in an area where the boundaries are continuously shrinking, and sometimes the borders are not clearly defined. In soft drinks these borders are more precise, allowing more clear decision making and support. Furthermore, the pace of regulatory changes to the tobacco industry significantly accelerated in the mid 90’s and the first decade of the 21st century, and following up on these changes initiated by the WHO, the EU, and local elements was the biggest challenge the industry faced. In the soft drinks business, the changes come less rapidly, which allows for better planning and the ability to make sure that business plans are executable, and there are very few show-stoppers that can pop up on the way.

**CEELM: If you have to outsource legal work, what are the main criteria you use in selecting the law firm(s) you’ll be working with?**

J.J.: In Coca-Cola Hellenic I have the privilege to work with a world class in-house legal team. This means that we seldom outsource legal work. The three areas where we count on external help are company secretarial, legal processes related to bad debt collection,

and in-court representation. As these areas are quite specialized, we are working with law firms that have the necessary specific skills and mindset towards excellent quality and on-time delivery. We also have the privilege to be supported by my predecessor as external counsel, which is of huge value to us as 18 years of Coca-Cola experience stayed in-house.

**CEELM: And once a project is concluded, how do you assess the success of your collaboration? Do you have any specific KPIs you make it a point to follow when working with a law firm in helping you decide if you’ll work with them in the future?**

J.J.: As mentioned above, external support is very specialized in our organization, therefore the results achieved there speak for themselves. A seamless company court registration, the ratio of collected or agreed debt, and winning cases are the measures of success. At this point in time, therefore, we do not work with specific KPIs but are deliberating the introduction of such in the future.

**CEELM: On the lighter side, you worked as an assistant production manager, editor, and news anchor early in your career. I sense there’s a story there.**

J.J.: Honestly there is not much of a story. After an unsuccessful entry attempt to the University of Economics (yes, we all make mistakes) I had the chance to join the local TV station in my home town of Pecs as an assistant production manager. At the time the team was a mixture of amateurs and professionals and had an eagerness to entertain the local community. As we were short of hands I quickly learned the basics of sound engineering, camera operation, and lighting, and I had the chance to work as an editor and host of a weekly teenage program. This creative atmosphere provided me with some great experiences and also taught me how to work hard. After my admission to university I had less time to stay on board, but was invited to host the nightly news live three days in a week, which I did for three years. This was a highly exciting time in my life, and I had the opportunity to work with people who have, since then, become pivotal factors in the Hungarian media world. Looking back now this could have easily been a turning point in my life, but I decided to stick to studying law, a decision I have never regretted.

Radu Cotarcea

# Expat on The Market: Rob Irving

## Partner at Dentons



*Rob Irving is an M&A and private equity Partner and Co-Chair of Denton's global Private Equity group. He has worked on landmark transactions throughout Central and Eastern Europe and South-Eastern Europe as well as Turkey since 1991. He started his legal career with White & Case, where he worked until May 2015, when, together with the entire White & Case Budapest office, he joined Dentons.*

**CEELM: What first brought you to Hungary, and what convinced you to stay? Was it always your goal to work abroad?**

R.I.: I originally joined White & Case in New York as a Summer Associate in 1989 with the express intention of being posted overseas. Nine months into my first year, White & Case asked me to move to Prague for two or three months as the first expatriate Associate to be posted in CEE. My first transaction was the final stages of the Volkswagen-Skoda joint venture, and from there I had the opportunity to work on many of the highest-profile Czech privatizations of the early 1990s. I returned to New York three and a half years later.

After two and a half years back in New York as a project finance lawyer, I yearned to return to CEE and convinced White & Case to send me to Budapest. My Partner, Istvan Reczicza, joined the office two weeks after I did, and we established a true partnership that carries through to today.

I've had numerous requests through the years to consider moving to Prague, Warsaw,

London, or Istanbul, but my partnership with Istvan and loyalties to the team we've built up around us have kept me in Budapest.

Our office's move to Dentons a year ago was a real energizer for all of us. Joining a firm that is investing and expanding significantly in the region and the world generally is really special and creates a lot of great opportunities for us and our clients. I now intend to stay in in Budapest through to retirement, working with the team and Dentons generally, to create the premier law firm in the region.

**CEELM: Looking back, what were the most striking differences between your approach and that of local counsel in the country when you first arrived?**

R.I.: Istvan and I have always wanted to have practices in the office that are cutting edge on a global level, rather than mostly acting as local counsel to London or New York law firms. We have tried to surround ourselves with lawyers who aspire to the same. Eventually, this led our clients to request that we start working for them across the region. We regularly work on some of the largest transactions and disputes in the region, typically opposite the London offices of the international law firms, which keeps us on the cutting edge of our practices.

**CEELM: You have a very regionally-oriented practice. Do you feel being based in Budapest is especially facilitative of this?**

R.I.: I regularly work on transactions in jurisdictions from Poland down through the Balkans to Turkey, spending approximately 75% of weekdays on the road. Budapest is in the heart of this footprint. We have a Mercedes van and driver we've nicknamed our "mobile office," in which we regularly travel to Vienna, Ljubljana, Zagreb, and Belgrade for meetings. The remainder of my regular destinations are reachable from the Budapest or Vienna airports in a one- or two-hour flight.

**CEELM: As an expat on the ground for a while now, what, if any, are the main stereotypes you find yourself arguing against when talking to people outside the country about Hungary?**

R.I.: Actually, in recent years, I've found the region to be more and more open and integrated than previously. I find that the Hungarian members of my team are quickly accepted in other jurisdictions as true experts from whom people in those jurisdictions can learn. And after a few years where people in government and business in the region were asking what was going on with respect to the current Hungarian government, these days people in government in the region are often asking what they can learn from the measures taken in Hungary in recent years.

**CEELM: What particular value do you think a senior expatriate lawyer in your role adds – both to a firm and to its clients?**

R.I.: My role is to provide the cutting edge expertise that one would typically get from hiring a senior lawyer in London or New York, combined with the benefits of more than 20 years of working in the region. I'm used to listening to people in this region and understanding what their concerns are, whether they are my clients or on the other side of the table. I also have seen an awful lot of diverse situations in the 16-odd CEE countries I've worked in, so I'm able to come up with solutions to address situations that might befuddle others.

*"I find that the Hungarian members of my team are quickly accepted in other jurisdictions as true experts from whom people in those jurisdictions can learn."*

**CEELM: If you were to relocate tomorrow in any other CEE jurisdiction, which one would it be and why?**

R.I.: Honestly, when I'm traveling throughout CEE, I often think to myself that I could see myself living in the city which I'm visiting. A few weeks ago, I happened to get stuck in negotiations for a couple weeks in a city in Central Asia and came away thinking that while it was fine to visit I wouldn't want to live there. This is a rare occurrence.

Radu Cotarcea



# Market Spotlight Austria



*Drawing: Engraving of Congress of Vienna in 1814, published in "A Century in the Text and Pictures," Berlin, Germany, 1899*

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# Guest Editorial: Under the HETA Spell



Large parts of the Austrian legal market are currently under the spell of the HETA saga. There is hardly a business conversation among the partners of the major law firms in the country that does not at least mention HETA and the numerous civil, insolvency, constitutional, and European law issues associated with it. I myself am involved in it as advisor to several of HETA's creditors, including its former main shareholder. No single topic, currently, provides a deeper insight in the Austrian legal market, which is why I would like to use this editorial to share a few thoughts on it.

HETA is the former Hypo Alpe-Adria-Bank, which used to be Austria's sixth largest bank and had to be nationalized in 2009. The bank had built a large lending network in SEE which, in the wake of the global financial crisis, became unsustainable. Following its nationalization, the bank continued its operations for several years. However, on March 1, 2015, it was put into "resolution proceedings" pursuant to new EU legislation for failed banks and – on April 10, 2016 – became subject to a so-called "bail-in", a forced write-down of its senior liabilities to approximately 46% of their original amount.

The heavy involvement of Austrian and foreign lawyers in the HETA case has, in no small part, been due to attempts by the Austrian government to use innovative legal routes to defuse HETA's financial disaster, and the threat that it poses to the Province of Carinthia, which is liable for EUR 11 billion of HETA's liabilities under a statutory deficiency guarantee. Under an arrangement between Austria and the European Commission in 2003, the deficiency guarantee expired in 2007 but covers liabilities maturing until 2017. Carinthia claims it lacks the financial means to make up for HETA's default.

A law enacted by the Austrian government in 2014, annihilating certain subordinated liabilities and (former)

shareholder liabilities of HETA, had caused an outcry amongst large parts of the legal community and was culled by the Austrian Constitutional Court because it infringed upon the constitutional right to property. HETA's current "resolution" proceedings are, equally, the subject of legal challenges because, under EU law, such proceedings should only apply to systemically important licensed banks, whereas HETA's bank license expired in 2014. Claims for several billion EUR in HETA liabilities are currently pending in proceedings before the courts of Frankfurt, Germany. Should the German courts allow creditors to enforce upon HETA's assets irrespective of its ongoing Austrian "resolution", this could lead to HETA being declared bankrupt in the near future. This, in turn, would further worsen Carinthia's position.

A bid made in February 2016 by a government-sponsored fund to purchase HETA's debt at a price of 75% of its nominal amount, which would have helped to shield Carinthia from its liability, was rejected by a large majority of HETA's creditors. For them, more is at stake than just Carinthia's liability, which had acted as an incentive for regulated lenders to subscribe HETA's debt. Allowing Carinthia to disown its obligations would set an unacceptable precedent from the lenders' point of view in times of heavy public debt burdens. A further important aspect of the HETA case is the heavy exposure by German lenders who historically have provided a large part of the funding need of Austrian institutional and public borrowers due to the closeness of both countries. The HETA case, and the sustained alienation of German lenders that it has caused, has had a negative impact on market access by Austrian borrowers, especially public debtors and banks.

Recent press reports suggest that talks between the various HETA parties have resumed; however, the reluctance so far by Carinthia's leaders to contribute to any settlement remains a key difficulty. With the German proceedings looming, the coming weeks may provide a time window for all sides to agree a solution. From the creditors' point of view, this could take the form of a deferment of Carinthia's payment obligations over a number of years. Already, an increasing number of creditors are taking direct legal action against Carinthia. It seems almost inconceivable that these law suits should, ultimately, fail. The guarantee is clearly set out in the law, and similar guarantees have been provided by other Austrian provinces and public debtors in large amounts. And while some have called for Carinthia's insolvency, putting an Austrian province into insolvency does not seem politically feasible. It seems like the HETA case is putting our political system to the test in more than one way.

*Friedrich Jergitsch, Partner,  
Freshfields Bruckhaus Deringer (Vienna)*



#### The Deal:

On February 18, 2016, CEE Legal Matters reported that DLA Piper Weiss-Tessbach and Baker & McKenzie Diwok Hermann Petsche had advised on Wiener Privatbank's acquisition of the Austrian business of the private bank Valartis. The transaction was described by DLA Piper Weiss-Tessbach as "the largest banking transaction in Austria in the year 2015."

#### The Players

■ **Georg Diwok, Partner, Baker & McKenzie Diwok Hermann Petsche**

■ **David Christian Bauer, Partner, DLA Piper Weiss-Tessbach**

**CEELM:** How did you each – and your firms – become involved in the deal?

**David Christian Bauer (DCB):** We were involved through our contact to the chairman of the board, Dr. Kranebitter. I have advised him in the past on various issues. Further, we had also had previous contact to the bank's legal department.

**George Diwok (GD):** B&M has worked for Valartis Bank (Austria) AG before. At first, a direct mandate by Valartis Bank

(Austria) AG to B&M for the sale was contemplated. However, the board accepted Baker & McKenzie's advice that it would be prudent to have separate law firms representing each of the interested parties:

- Shareholders (direct and indirect) B&M
- the bank itself Doralt Seist Csoklich (Christoph Diregger)
- the board members (at least in the regulatory proceedings: Wolf Theiss)
- the transaction lawyers (Doralt Seist Csoklich supported by B&M on the side of the sellers as well as DLA on the side of the buyer).

■ For a while it was not clear whether there would be a share or an asset deal, therefore B&M and DSC worked hand in hand.

**CEELM:** At what stage were you brought on board, and what, exactly, was your mandate when you were retained (as compared to the final result)?

**DCB:** From the start, DLA Piper was hired to help guide the deal to completion. Everything else developed through the course of the transaction. Negotiations had not started in earnest before we were involved but of course several talks on the

management level had already taken place before that.

**GD:** We were there right from the beginning – specifically, as long as the share deal structure was contemplated. That structure did not materialize to regulatory constraints, and with the consent of the Austrian regulator Financial Market Authority (the FMA) an asset deal structure was adopted (instead of the usual share deal) so as not be reliant on the approval of the FMA or ECB.

**CEELM:** Who were the members of your team, and what were their individual responsibilities?

**DCB:** The transaction was led by myself (corporate and banking law) together with Partner Christian Temmel (capital markets law) and further included Counsel Johanna Holdt (corporate law). Further, of course we had a huge due diligence team, which consisted of around 15 persons and was supervised by me. In addition, partners supervised their associates with regard to their area of specializations.

**GD:** I was the partner on the deal and responsible for the regulatory work and the negotiations. I was supported by fellow Baker & McKenzie Corporate Partner





David Christian Bauer, Partner,  
DLA Piper Weiss-Tessbach

Wendelin Ettmayer, who was responsible for all questions regarding the board or the shareholders. Our Banking & Finance Associate Andrea Eigner and Corporate Junior Associate Armin Assadi helped as well.

**CEELM:** Please describe the final deal and your involvement in it in as much detail as possible – in other words, how was the final deal structured, and how did you help it get there?

**DCB:** In the course of the transaction Wiener Privatbank acquired the Austrian business of Valartis Bank. In the process of the deal-structuring, various regulatory requirements had to be considered. Since neither a share deal, nor the set-up as a re-organization were accepted by the Austrian Financial Markets Authority (FMA) due to reasons relating to the owners of Valartis, an alternative had to be found. Finally, an asset deal (singular succession) was chosen. An asset deal is the purchase of a company by buying all or some of its individual assets (claims, real estate, furniture, cash) instead of its stock. In this case the transfer was performed by way of singular succession, meaning that all assets were valued and transferred individually. The regulatory reason why this was done like this is completely unique to this case because the Austrian regulator did not want a structure where there would be a risk of future involvement of the owners of Valartis due to their (published) financial issues in Switzerland.

The matter also included a comprehensive legal due diligence and the preparation of the annual general meeting. We are now also involved in the issuing of a convertible bond.

**GD:** The deal was finally structured as an asset deal as that did not involve obtaining a consent by the regulator – the FMA – and

also not by the ECB. Finally, the decision upon the structure allowed a quicker process and was supported by the FMA.

**CEELM:** What would you describe as the most challenging or frustrating part of the process?

**DCB:** I would say the repeatedly changing regulatory requirements – in conjunction with a tight time frame – were a substantial challenge for everybody involved. Further, the structure as asset deal posed additional difficulties.

The tight time frame was imposed by the Austrian regulator (FMA). Due to the fact that an asset deal structure requires the transfer of every single asset and allows for difficult exclusions of liability, it is in reality a very complex and time consuming structure, since every single asset together with respective contractual and other legal relationships, has to be included in the purchase agreement at least by category and must be transferred “piece by piece.”

**GD:** The most challenging part of the process is still to come. Post-acquisition integration will be key to preserving assets (the bank’s clients’ assets under management).

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

**DCB:** It changed insofar as the first approach envisaged different alternatives of share deals, which were not possible for regulatory reasons relating to the owners of Valartis Bank (Austria).

**CEELM:** How would you describe the working relationship with your clients?

**DCB:** Johannes Kunz, General Counsel at Wiener Privatbank, was directly involved at all stages from an inhouse legal perspective. The two managing directors, Dr. Helmut Hardt and Eduard Berger, as well as Dr. Gottwald Kranebitter as chairman of the supervisory board, were present at most of the negotiations with Valartis. Cooperation was smooth and very professional, and we communicated on a constant basis.

**GD:** The working relationship with the client was intense and trustful. Gerald Scheweder and Florian Keschmann, the managing directors of the Austrian holdings, were intensely and regularly involved, with Gerald Scheweder taking the lead.



Georg Diwok, Partner,  
Baker & McKenzie Diwok Hermann Petsche

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

**DCB:** The working relationship with Baker & McKenzie was professional, intensive, and pleasant.

**GD:** The relationship was very professional and constructive, although – as in each negotiated deal – at times intense. We hold David Bauer in high regard.

**CEELM:** How would you describe the significance of the deal in Austria, or in the region?

**DCB:** Given its complexity and final set-up, this transaction was without a doubt the biggest banking deal in Austria in 2015. It perfectly reflects the enormous challenges – increasingly strict and sophisticated regulatory requirements – which banks are currently facing on the market. I would say the way in which the transaction was constructed and completed can truly be called state of the art. Everybody involved agreed that this was the most challenging deal of their career. We are therefore very proud to have achieved such a satisfying result!

**GD:** B&M in Austria has special knowledge on the silent liquidation of banking operations in Austria. We have done two comparable transactions already. We do not think that this is a one off as the regulator constantly tries to reduce the number of regulated entities in Austria, as the country is a heavily overbanked market.

**Editor’s Note:** It was announced on April 1, 2016, that Wiener Privatbank had resold Valartis Asset Management (Austria) Kapitalanlagegesellschaft m.b.H. to Semper Constantia Privatbank AG for an undisclosed price.

David Stuckey



# Market Snapshot: Austria

## M&A Trend in the Life Science Industry: Companies Tend to Downsize



Christoph Mager,  
Partner and Head of Corporate,  
DLA Piper Weiss-Tessbach

Until a few years ago companies in the Life Science sector achieved growth by acquisition. The objective was to become larger and thus to become a market leader in the sector or to expand existing market leadership. As this could often not be reached by organic growth only, there was much M&A activity, particularly before the financial crisis started.

### Post-Merger Integration was Often Insufficient

In pursuing this strategy many companies ignored the fact that each acquisition – even of a competitor – involves the purchase of business segments that are not part of the existing core business of the purchased company. In the course of a post-merger integration companies focused on creating synergies within core businesses to justify the acquisitions to their owners. The other business segments that were acquired as part of the same transaction remained unchanged in most of cases as they were not part of the strategic focus. This phenomenon was most frequently seen in the pharma and medical devices industries within the Life Science sector.

### Consequence: Worse Profitability

These (in terms of acquisitions) very active companies, in particular, did not succeed over the past few years in maintaining their former efficiency despite the growth and expansion of their market position. Thus, paradoxically, despite the expansion of their market positions, they did not achieve the desired profitability, as the variety of products outside the core business that were developed by multiple acquisitions often resulted in a reduction of profitability. This effect occurred relatively soon in most cases. However, the worst fact for the companies concerned was a consequence that occurred in the medium term: namely that the companies lacked the resources and the financial means to conduct

sufficient research and development in their core business due to the enlarged (but less profitable) product portfolio. As a consequence the market position that had been improved for a short while by acquisitions worsened severely in the medium term. Increased international competition (predominantly from Asia) even accelerated this development.

### Downsizing: Reduction to Core Business

The trend that resulted from the development described above has been to “downsize” in the past few years. This means that companies are undertaking massive reorganizations in order to segregate business segments that do not pertain to the core business into separate companies and to sell them off either via the stock exchange or in the course of a tender procedure. These companies are often present in multiple countries, so outsourcing the business segments that are not part of the core business in preparation for sale requires global reorganization advice that is agreed upon in detail. The same applies to the sale itself. Quite a large number of companies have therefore currently developed a strategy to consciously become smaller in order to focus exclusively on the core business.

Downsizing is in most cases successful only if the proceeds achieved from the sale of business segments that do not pertain to the core business are for the most part used not for immediate profit but instead put back into research and development of the core business. This is quite difficult to put into practice because sale proceeds often trigger greed on the part of the owners and other stakeholders. However, such investments are often essential in order to regain leadership through adequate innovation. These trends result in an extremely interesting environment for activities of lawyers, in which innovative companies seek global legal advice for reorganizations and M&A.

By Christoph Mager, Partner and Head of Corporate,  
DLA Piper Weiss-Tessbach



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[ceelm.com/thought-leadership](http://ceelm.com/thought-leadership)

# Inside Insight: Juliana Guaiato Aufschnaiter

## Senior Expert at Raiffeisen Bank International



*Juliana Guaiato Aufschnaiter is a Senior Expert working within the Special Exposures Management team at Raiffeisen Bank International, where she reports to the head of division. Originally from Rio de Janeiro, Brazil, she's been with RBI for over 10 years now, and she first moved to Vienna in 2004, when she took on her first role within the banking sector with the affiliate of Banco do Brasil in Austria. Earlier experience included working for TNT in Brazil.*

**CEELM:** To start, please tell us a bit about your career leading up to your current role.

J.G.A.: I studied law in Brazil, where I've been a member of the bar association since 2002. I moved to Vienna in 2004 and started my banking career working on export contracts for Brazilian companies in the affiliate of Banco do Brasil in Vienna. One year later I moved to Raiffeisen Bank, where I've been working now for almost ten years.

**CEELM:** As a senior in-house counsel in Austria in the banking sector, what are the main trends and developments affecting the work of your legal team?

J.G.A.: Even though I am a lawyer, I work on the management of distressed assets of the bank. You may think that this is not a legal job but in fact a lot of money can be recovered with smart legal solutions.

**CEELM:** Can you elaborate as to the types of legal work involved in managing these distressed assets? Is it an area where legal expertise is usually sought after or is it more an added value?

J.G.A.: Usually professionals in this area are much more focused on financial figures and plans for restructuring a company or selling the exposure. Being a lawyer with this understanding is an advantage when trying to avoid unfavorable jurisdictions, accelerate assets disposal, and increase recovery through the use of different finan-

cial instruments available in different parts of the world.

**CEELM:** What's the most exciting part of your work?

J.G.A.: I like the daily challenge of not knowing what is waiting for me when I come to the office. I also enjoy having long discussions with lawyers around the world finding creative solutions for our exposures.

**CEELM:** To the extent you can discuss it, what was the most "creative" such solution that you implemented?

J.G.A.: Last summer there was a decision by the European Court of Justice recognizing the exclusivity of the English courts. Because banking contracts are mainly ruled by English law, the ECJ's decision was used to obtain an asset disposal decision from an English court instead of the borrower's domicile court.

**CEELM:** Over the course of your career, what would you identify as the most challenging project you have worked on?

J.G.A.: Currently I'm working in some projects in China, and the Chinese legal system is by far the most challenging thing I've ever been confronted with.

**CEELM:** How so?

J.G.A.: It is not only the long deadlines for obtaining any decision, but also the politi-

cal influence trying to protect some industries, while restricting refinancing, interest payment, and collateral disposal.

**CEELM:** In light of developments in the sector in Austria over the last few years, there's a considerable amount of public scrutiny when it comes to banking in the country. How, if at all, do you find that affects your work?

J.G.A.: In fact, I have to confess that it took me some years living in Austria to understand how a such small country could have so many bad banks, but now I admire the Austrian pioneer spirit.

**CEELM:** What is the current state of the financing market in your view in Austria?

J.G.A.: The market is facing a "wait and see" phase: interest rates are low, companies are still waiting for a better time in the economy, and some important industries such as steel and energy are facing a big crisis due to the decrease in demand and the increase of raw material prices for steel producers and the reduction of state support to the energy companies.

**CEELM:** When you need to outsource legal work, what are the main criteria you use in picking the firm(s) you work with?

J.G.A.: One of the main criteria is how familiar the law firm is in the country I need the expertise from, as when dealing with bad debts, a law firm should not only understand the legal system but also have a cultural background in the matter.

**CEELM:** I take it having an office on the ground is important for you then?

J.G.A.: Not always. Sometimes we have law firms in Europe working well with local law firms.

**CEELM:** On the lighter side, if you could move to any other CEE country to work in, which would it be and why?

J.G.A.: I would pack right now and move to Croatia because, for a Brazilian living in Austria, nothing is more fascinating than the possibility of waking up in the morning and feeling the smell of salty water.

Radu Cotarcea



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# Expat on the Market: Daniel Mattos

## Member of the Corporate Legal Team at InterCement



*Daniel Mattos, who moved to Vienna in March, 2015, is a long way from his home in Brazil. Mattos is the only member of the Corporate Legal team at InterCement in Austria, where he is responsible for creating and implementing anti-corruption and anti-trust training and compliance programs. He is also responsible for key engineering, research and development, and innovation agreements and plays a key role in audits, monitoring, and creation/implementation of corporate standards across InterCement's operations in Europe, Brazil, Egypt, South Africa, Argentina, and Portugal.*

**CEELM:** First, how did you get to Austria?

D.M.: I've been working for my current company for a few years now. Before I came to Austria I was in an insane working rhythm – 12, 14, 16-hour shifts, mainly with strategic agreements and compliance. I had just gotten through a divorce, and work was my safe port. And you know what they say about work: the more involved you are, the more heart and soul you give, the more you receive in return. So in that context I've created an anti-corruption training to be implemented by the company. It worked, and in one year almost five thousand people were trained. It was so successful that we decided to implement it in all the countries where we were present, including Portugal and countries in Africa and South America.

Now getting to your question: Why Austria? Austria is very central in our business, because it is close to Africa, it's in the middle of Europe, it is not that far from South America, so it makes sense to have the kind of work that I do, here. I need to always have in mind the different cultures that we deal with (not just the languages – it's far more complex than that) and Austria gives me that. I love Austria, I would be here forever if it would depend solely on me. Here I found my heart.

**CEELM:** Can you tell us a bit about your office?

D.M.: We are a multinational present in

many countries. The main product that we produce is cement. Cement has to be sold very near to where it is produced – which is to say that we are always expanding, always looking to new markets and opportunities. Austria gives us that. So we concentrate our holding here.

**CEELM:** How/why is a Brazilian lawyer advising a Brazilian company in Austria? Are you advising on Austrian law? What's your role, exactly?

D.M.: I was sent here to carry on my duties from a more central position, looking to Africa, but also looking to Europe, looking to South America, but also looking to any new territory. My major is in law, but I also have two postgraduate degrees: one in corporate business and another in strategic agreements. Those were two of the qualities that were responsible for me being here.

When you work in a strategic agreement – involving, for instance, Egypt and Brazil – you have to keep in mind both the laws of both countries but also the international laws and cultural aspects. That is what I do. Also, as I've mentioned in the beginning, I am responsible for the compliance area, and compliance per se speaks an international language. In a multinational, you can't impose the culture of one single country over the others.

**CEELM:** How big is your legal team, both in Austria and around the world?

D.M.: In Austria I'm the only member of the corporate legal team, but of course we have a large team across our international structure.

**CEELM:** Do you know any other Brazilian lawyers in Austria – or in CEE?

D.M.: Unfortunately, no.

**CEELM:** Do you like Austria? Why/why not?

D.M.: I love Austria. I found my heart and soul here. I love the smell of bread on every corner, I love the architecture and the people, how organized and clean everything is. To be able to rely on public transportation and safety. Only people who come from countries that do not have these things will understand how fortunate Austrians are. You can tell me "yes, but we pay a lot for that," and I will answer, "in most countries we also pay quite high (30, 40%) but we don't get anything at all." Austria, and especially Vienna, is a place where these experiences can be exchanged. I am constantly involved in discussion groups where we have these enriching experiences.

**CEELM:** What elements of the culture do you find most challenging or frustrating? What's most different?

D.M.: I think the most challenging aspect is the cultural differences. I come from a place where it is common to have hundreds of friends. A barbecue in your house, for instances, goes for 10-12 hours and can easily include 100 people, for no special occasion, only because we want to see each other. Is very common to have hugs, kisses, loud laughs, not much regard for personal space. Here it is a little different. To break this first barrier takes time and a lot of work. But once is done, it is worth it. I have great and amazing friends here.

**CEELM:** How long will you stay in Vienna?

D.M.: I will be here until the executives at InterCement want to send me somewhere else – but if it depended solely on me, forever.

David Stuckey

# Experts Review: Real Estate



The subject of Experts Review this issue is Real Estate, and the articles are ordered to reflect the amount of surface area in each CEE country covered by inland (as compared to coastal) water bodies (such as lakes, reservoirs, and rivers), according to the United Nations Statistics Division. A remarkable 6.28 % of Estonia is covered with water, in fact – but there is no Estonia article this time around. Accordingly, pride of place goes to second place Albania, 4.7% of which is covered by water, while arid Bosna & Herzegovina, only .02% covered with water, comes last.



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## Albania

### Stitching Up the Albanian Legislation on Real Estate



It is commonly accepted that the financial, social, and political transition of Albania into the post-communist era not only failed to address a major long-standing problem related to private property rights but actually further jumbled up real estate ownership relationships. The fuzzy legal framework governing property rights and the absence of a proper administrative system

remain major obstacles to the growth of the Albanian economy, holding up the regeneration of the real estate market.

So far, judicial practice has played a detrimental role in the process, with many judges disregarding key issues and failing to contribute to clearing up a complex overall system. As a result, there has been a surge in Albanian property rights claims raised before the European Court of Human Rights, with an unusually high number of favorable decisions. A similarly complicated landscape exists in the banking sector, where a considerable number of non-performing loans were collateralized with real estate properties in the construction industry. The International Monetary Fund and the World Bank have ranked the real estate issue as one of Albania's most urgent problems.

Over the last year, the Albanian Government has initiated a series of strategic steps in an attempt to improve the service of its subordinate institutions/authorities and facilitate legislative procedures in real estate. For one thing, the February 2016 amendment to the Law on the Registration of Real Estate shifts the rules affecting the registration of construction contracts by making mandatory the formerly optional registration with the competent register office. Unless construction contracts are duly registered, banks will not be entitled to claim any priority rights against third parties. The new regime also aims to put an end to the abusive practices formerly applied by construction companies against banks and their clients (double sales, issuance of loan guarantees on already sold properties, issuance of guarantees on land plots belonging to the owners of the land, and so on), by extending construction companies' obligation to register not only the construction permit but also the construction contract, thus enhancing the legal protection for such type of collaterals.

In addition, the amended legal framework allows a building's carcass – the skeleton structure – to be registered following the transfer of its ownership to the bank. The legal status of carcasses was not previously regulated, exposing banks to the entire risk, as they were unable to deal with such real estate properties. Following the latest amendments of the law and upon fulfillment of certain conditions stipulated therein, the banks now enjoy enhanced protection in these transactions.

On the same note, an important efficiency-driven initiative –building an online application platform – has been jointly undertaken by the National Chamber of Notaries and the Register Office to simplify the real estate registration process carried out by the notary public. This initiative is expected not only to eliminate existing bureaucratic barriers to the registration process but, at the same time, to obviate the need of direct interaction between interested parties and public clerks, preventing potential bribery practices. Interested parties will enjoy constant and immediate online access to their application and will be able to track any upcoming deadlines. The online application system is the first

step in the digitalization of the entire Register Office, a project expected to be completed by the end of 2016.

Finally, a key contentious issue remains involving property restitution and compensation of former owners who lost their ownership rights following nationalization of properties during 1945-1990. The new legislation on the matter has encountered strong opposition from interested parties and former owners claiming that actual compensation is much lower than the market value of their properties. The law has been contested before the Constitutional Court, which may require the Albanian Property Treatment Agency, among others, to amend its regulatory framework, leading to further delays in addressing the compensation issues of owners already waiting for many years.

Now more than ever, Albania needs to come up with a permanent solution to all outstanding and/or controversial real estate issues by not only stitching up regulatory gaps but also by fundamentally adapting the entire system to international practices and coordinating a well grounded and standardized legislative procedure. Time may be running out, but it is up to Albania to prove that, after all, it can successfully meet this challenge.

*Besnik Duraj, Partner,  
Drakopoulos*

## Russia

### Real Estate and Insolvency in Russia: General Issues and Recent Changes



Although the sanctions imposed against Russia did not have exactly the effect on the country's economy that was planned, there are still expectations of negative growth and clear signs of an overall massive slowdown. One of the spheres influenced by these circumstances is real estate, where the market has reportedly decreased by seven percent and the number of bankruptcy cases in 2015 was five times

that of 2014. There are no comparative statistics for 2016 available at the moment; however, as many as 167 real estate developers filed for bankruptcy during the first month of 2016 alone.

The rights of creditors and debtors regarding immovable property have to be dealt with by insolvency lawyers regardless of which side they represent. In general, three situations involving real estate within bankruptcy procedures are possible.

The first involves the debtor as a possessor of a certain real estate asset with a creditor willing to claim it back. In this situation, there are essentially no specific differences with the regular procedure.

The second situation involves property that belongs or belonged to the debtor before the insolvency procedures began. The insolvency officer will be responsible for asset tracing and searching for any transactions that might be contentious from a legal point of view. Any real estate owned by the debtor may be a solid source of funds that can be used for satisfying creditor demands. Moreover, subject to the Federal Law of October 26, 2002, On Insolvency (Bankruptcy) (the "Insolvency Law"), any deed of property disposal may be challenged within a one- or, under certain conditions, three-year term preceding the date when the debtor is declared bankrupt, thus adding to the bankruptcy estate.

According to the Insolvency Law, any property of the debtor, including

real estate, shall normally be disposed of by auction, or via public offer in certain situations.

If the debtor is an agricultural company/entity, adjacent landowners involved in agricultural manufacture shall have priority in terms of acquiring the debtor's property, including real estate.

Certain issues appear when there is a claim regarding rights to apartments or other real estate that were not completed by an insolvent developer. Although since January 1, 2014, changes in the Law "On Co-funding of Apartment Houses and Other Real Estate Construction and Amending Several Laws of the Russian Federation" have made it obligatory for all real estate developers to insure their liability to clients, there are still many incomplete projects from earlier days, and, unfortunately, no guarantee can be provided that a particular developer will not be in default. Specific procedures are covered by provisions of the Insolvency Law in force since 2011, which enables any person who has invested in real estate construction either to claim their rights to the relevant apartment or other object or to demand a return of the investment amount. In the latter case, the investor's claims shall have a priority over any other demands, except for those arising from personal injuries and labor relationships. For any claims regarding residential property, the insolvency officer shall keep a separate register, and the property handover shall be subject to approval by the court within six months of the appointment of the insolvency officer.

The final situation involves real estate that had not been registered before the application for bankruptcy was filed. In this case, the insolvency officer will be in charge of all related procedures, including registration and filing any suits regarding declaration of title, if required.

Despite the quite significant role of the insolvency officer, which may lead to abuse in certain cases, the rights of the debtors and creditors to the real estate are quite well protected and may be exercised with due legal support.

*Evgeny Kolpinskiy, Head of Insolvency Practice,  
Peterka & Partners Russia*

## Ukraine

### The Legal Environment for Investment in Ukrainian Real Property in 2016



Located in the heart of Europe and with a population of over 40 million, Ukraine remains an attractive and unsaturated market, offering the potential for rewards which outweigh the challenges. Although the current difficulties have put significant pressure on the Ukrainian economy, there are sectors and businesses within the country which are investment-attractive and offer a considerable

level of profitability, including agriculture, manufacturing, and infrastructure.

Implementation of the EU Association Agreement on September 16, 2014, requires Ukraine to implement a number of institutional reforms, including trade, economic integration, and reorganization of government bodies and to gradually harmonize Ukraine's legislation to EU norms and standards within timelines varying between two and ten years after the Agreement enters into force.

Over recent years, the legislative environment for doing real estate

business in Ukraine has substantially improved. According to the World Bank's "Doing Business 2016" report Ukraine climbed to 83rd out of 189 economies, demonstrating sustained improvement of business conditions for several years in a row.

State and local authorities are being reorganized and decentralized to make their operations more effective and business-oriented. Anti-bribery procedures are also being actively applied to decrease the level of corruption.



On the corporate side, the rules for establishing, administering, and dissolving companies have been further simplified by shortening the terms for registration/dissolution, abolishing certain registration charges, and eliminating the requirement to have a paper charter. As a result, it now only takes two business days to register a limited liability company, compared to the two weeks required

under the previous procedures. Registration actions may also be performed by notaries based on the ex-territoriality principle.

Substantial actions are being taken to make the legal framework for registering titles to real estate and land more investor-friendly and secure. One major change starting from January 1, 2015, is that all information about registered titles, including information about title holders and encumbrances affecting the land, has been made open to the public electronically (previously such information was available to title holders only). Public access to information is also currently being implemented with regard to the land- and town-planning cadastres. As a result, title checks and registration of titles/encumbrances over real property have become significantly more efficient and less bureaucratic. The system of registration and registration procedures have been further improved this year, with authority for it being transferred to local governments.

The planning and construction sectors have also seen substantial developments. The major part of authority for supervision over these sectors has been transferred from state to local government, and the planning and construction permitting procedures have been simplified and shortened. The procedure for obtaining title to state and municipal land for construction and other purposes is now based on the "one-stop-shop" principle.

On the financing and tax side, real estate investments are traditionally structured via the Cyprus Treaty approach (the new protocol to the bilateral double tax treaty was signed on July 2, 2015, to become effective from 2019). Although still applicable, currency restrictions are also being liberalized by the National Bank of Ukraine (particularly the requirements for mandatory conversion of foreign currency and the restrictions concerning registration of loans with non-residents, both of which have recently been relaxed).

The PPP sector, with the Law on Sea Ports coming into effect in 2013, became an attractive area for foreign industrial investors in Ukraine. While the Ukrainian Government still has work to do on certain detailed regulations, the reforms already carried out in the sector have enabled investors to acquire rights to operate commercial port facilities (i.e., terminals) based on concession or lease agreements and to construct and fully own major port facilities, including sea terminals such as shipping berths. Of course, the state retains ownership of certain strategic port facilities such as navigation facilities, harbor waters, etc.

At the same time, foreigners may only lease and not own agricultural land. In addition, the Ukrainian parliament has extended the land

moratorium (prohibiting individuals from selling privatized agricultural land) until the end of 2016.

Although Ukraine still suffers from corruption, weak judicial and law enforcement systems, and an unstable political situation, having reviewed the on-going legislative initiatives, we expect further simplification of land-allocation, planning, construction, and permitting procedures for real property operation, as well as a general improvement of conditions for doing real estate business in Ukraine in accordance with EU and international practices.

*Natalia Kochergina, Partner, and Sergiy Portnoy, Senior Associate, DLA Piper Ukraine*

## Hungary

### Two Steps Forward and One Step Back



At the beginning of January this year, new provisions entered into force in Hungary affecting the permitting requirements for new residential buildings with a maximum useful net floor area of 300 square meters. These rules allow for the construction of such buildings without a permit, requiring only a simple notification. Despite a generally positive reception, certain aspects of the

newly implemented provisions have received criticism. It seems that the Hungarian legislature has heard the complaints, as – based on a legislative proposal submitted to the Hungarian Parliament – some of the more controversial aspects of the new rules are about to change.

#### New Possibilities Introduced by the “Simplified Construction Rules”

The new rules require no building permit, but only notification prior to the commencement of construction of new residential buildings with a maximum useful net floor area of 300 square meters. The statute sets out the required content of this notification.

The most significant difference compared to the permitting procedure is that the floor plan is not a mandatory element of the notification, which focuses on the appearance of the building, rather than on the inspection of its compliance with construction laws.

Only certain elements of the usual construction permitting documentation are required to be attached to the notification, rather than all plans. This may be a relief at first sight, but there are risks too: identical sanctions apply both to “notified” and “permitted” buildings (e.g., fines or even demolition). Given that the authority permits the construction of the building after examining its plans, in order to avoid or mitigate these risks it may be advisable to obtain a building permit prior to commencing the construction (or at least to produce detailed plans for the building).

In addition, the building must be constructed within ten years from the notification of its construction, and an official certificate must be obtained verifying the fact of the construction completion.

#### Observing the Local Construction Code

In case of the regular construction permitting process, the statutory rules adopted by the local municipality (the so-called “local construction code”) must also be taken into account. The local construction code is critical, since it contains the main rules and parameters for con-

struction of new buildings (e.g., their maximum height, the maximum extent of buildable area, and local building customs), and is the main vehicle by which the local municipality forms its cityscape. The new rules require that only certain elements of the local construction code be taken into account – namely, the maximum allowable coverage of the plot, the maximum allowable building height, the line which isolates the public area and the non-public area, and the type and location of the building.

Since these obligations affect only a small part of the construction, and exclude other important parts of what are often-complex local construction codes, industry experts and local municipalities have warned that allowing the major part of a local construction code to be ignored may harm the cityscape.

To enforce the local construction codes (despite the newly permissive provisions), the local municipalities intend to fight back. For example, one of the districts of Budapest is considering the implementation of a new tax (the so-called “kitsch tax”), which would be payable by the constructor if its building does not meet the criteria set out by the local construction code.

As a solution to this issue, the proposed legislative amendment would widen the scope of the elements that must be observed during the construction of residential buildings, such as local zoning, the rules of sanitation and cleaning, the number of buildings to be constructed on one plot, as well as other rules, such as those relating to archaeology and heritage protection.

The reasoning of the proposed legislation is that the lack of permitting for the construction of buildings means that a new form of cityscape protection is required for local municipalities, with respect to which further statutory provisions will be implemented. The content of these future regulations is still unknown.

In our view, the fact that the notification procedure does not require prior examination of compliance with a local construction code (some elements of which are mandatory) could in fact pose a risk for the builder. In the event that the building authority examines this compliance during the construction and determines that it is lacking, the measures necessary to achieve compliance with the applicable building regulations at that later stage could result in significant costs. Furthermore, should the completed building not meet the mandatory requirements, the building authority may impose fines, or even may order the demolition of the building.

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## Latvia

### The Latvian Real Estate Market – Legal Challenges and Perspectives



2015 and the beginning of 2016 has been a relatively calm period in the Latvian real estate market, with neither significant ups or downs in the market itself nor any significant changes in the relevant regulations.

The industry continues to deal with restrictions implemented at the end of 2014, when limitations were set on the acquisition of agricultural land. With the aim of restricting acquisitions of agri-





cultural land by so-called inexperienced investors – i.e., persons not involved in agricultural production – limitations were set of 5 hectares for legal entities and 10 hectares for individuals, unless the private individual or legal entity of Latvian or EU origin is involved in agricultural production. Since the vast majority of land in rural areas is formally designated as being for agricultural purposes,

these restrictions often pose significant challenges for manufacturing companies wishing to acquire land outside of cities for the purpose of development of manufacturing or other production not related to agricultural activities (i.e., for construction of manufacturing plants and related purposes), even if the land at issue has not been used – and sometimes is not even suitable for – agricultural production. Discussions about changing the criteria by which the status of the land will be determined (i.e., whether the land is agricultural land or not) have been initiated.

In the beginning of 2016, a discussion of significant changes to the required real estate transaction format was initiated, involving a significant increase in the role of notaries public during the conclusion and registration phases of real estate transactions. The Ministry of Justice and the Council of Sworn Notaries are currently developing a proposal to establish a requirement that all real estate transactions be concluded in the presence of a notary public and in the form of a notarial deed. The intention is that the notary public will not only be obliged to verify the identities of the parties but also will be responsible for the content of the transaction itself – and some proposals even empower the notary public to revise the transaction price if the notary deems it inadequate to the market price. Such proposals have resulted in controversy, with many claiming that the increased role of notaries would significantly restrain the parties of a private transaction. Real estate market players such as developers, lawyers, and other real estate service providers mainly claim that, if this initiative is adopted, it will lead to a significant increase in transaction expenses and bureaucratic burdens, which are not justified for transactions solely within the private sector. Currently no specific proposal on the changes has been prepared and submitted; however, it is anticipated that this issue will continue to be controversial in the real estate area at least during most of 2016.

Amendments to the Civil Law were adopted in 2015 and should enter into force on January 1, 2017, providing more specific regulations to separate land and building ownership (as an exemption to the general rule that everything on the land be owned by the land owner). Although separate ownership of buildings was possible before the amendments – through specific, long-term land lease agreements – the almost complete lack of regulation raised questions about the status of ownership rights after the lease agreement expired, as existing law provides only that separate ownership is established during the validity of the lease agreement. By introducing a new category of “building rights”, the current amendments address those specific issues by providing clearer rules on the relationship between the owner of the land and the owner of the building during such building rights period as well as the rules of legal status and position of both after the expiration of the building rights.

Finally, as of 2016, electronic auctions have been introduced and implemented for bailiffs and insolvency administrators organizing auctions of real properties during recovery proceedings and insolvency proceedings. In contrast to direct auction (where all participants are required to arrive in person at a designated place at a designated time),

electronic auctions allow participants to bid for and purchase real properties online, thus easing the procedure and, it is hoped, facilitating more activity in this specific segment.

*Linda Strause, Partner, and Nauris Grigals, Senior Associate, Tark Grunte Sutkiene*

## Poland

### Agricultural Land in Poland Only for Individual Farmers?



Since Poland became a member of the European Union in 2004, agricultural land prices have been constantly rising. However, agricultural land in Poland is still among the cheapest in Europe, costing on average only one third of what it brings in many Western European countries. One reason for this is that EU nationals must obtain a permit issued by the Minister of the Interior and Administration in order to purchase agricultural land until the 12th anniversary of Poland's accession. This requirement will cease to apply after May 1, 2016.

Many Polish farmers would prefer that the limitation be maintained, hoping that prices would stay at the current level, enabling them to expand their farms at a relatively low cost. It is feared that when the protection period ends there will be large-scale acquisition of agricultural land without the local population being consulted beforehand or community consent being obtained, threatening the interests of family farms.

Many Polish farmers would prefer that the limitation be maintained, hoping that prices would stay at the current level, enabling them to expand their farms at a relatively low cost. It is feared that when the protection period ends there will be large-scale acquisition of agricultural land without the local population being consulted beforehand or community consent being obtained, threatening the interests of family farms.

To address these anxieties, a legislative proposal is being promoted by the Polish Ministry of Agriculture and Rural Development. The proposed law provides that only individual farmers will be eligible to acquire agricultural land of an area over 3,000 square meters. Under the draft, an individual farmer is a person with agricultural skills who runs a farm not larger than 300 hectares and who has been a resident of a farming municipality for at least five years. Exceptions apply for the transferor's relatives, local government units, and the State Treasury or the Agricultural Properties Agency (APA), as well as for churches and religious associations. Acquisition by other entities would be possible only under certain and strict conditions subject to a permit issued at the discretion of the APA. The acquirer of agricultural land would be obliged to run the farm for at least ten years from the date of acquisition, and the land could not be transferred to other entities during that period. The proposed amendments would apply not only to acquisition on a contractual basis but to all kinds of transfers, including acquisitions through mergers. In the case of acquisition as a result of any transfer other than sale agreement, the APA may submit a statement on acquisition. Moreover, the APA would have also a pre-emptive right to acquire shares in non-listed companies which own agricultural land.

The proposed amendment is controversial, as the entire idea of the proposal may infringe rules and principles of EU law. For example, it may be held to breach the principle of free movement of capital among Member States. Case law of the Court of Justice of the European Union (CJEU) also explicitly precludes national rules requiring an acquirer of agricultural land to farm it in person and to be a resident of the municipality to which the land is a part.

An explanatory memorandum to the draft law indicates that similar

regulations have been adopted by Hungary and Bulgaria. It is worth noting, however, that the European Commission (EC) has asked those two Member States to comment on the new legislation. Thus, it is possible that ultimately the EC may contest the proposed law by bringing an action against Poland before the CJEU.



The amendment is a revolutionary change to current regulations. It leaves a very narrow space for the free transfer of agricultural land. Planned greenfield investments and the warehouse business could also be affected. There will be need for close cooperation with local authorities to change the status of agricultural land to other uses. One result could well be the mass abandonment of agricultural

land use in favor of other activities.

The proposed draft has been approved by the Parliament and is awaiting the signature of the President. It is planned for the new law to enter into force on April 30, 2016.

*Jędrzej Kniżnikiewicz, Associate, and Grzegorz Skowronski, Partner, Wolf Theiss Poland*

## Romania

### Governmental Initiatives Aimed at Reducing Legal Uncertainty on Property Markets



The decision by property investors to invest in a particular jurisdiction is generally predicated, as it should be, both on financial projections and on investors' confidence that the ownership titles they are investing their money into are solid and legally secure. Statistically, the large majority of the titles in Romania have proven to be solid, despite persistent myths about "risky" Romania. The statis-

tistical basis for confidence is not necessarily reflected in the investigation reports prepared for investors by their legal advisors, however, which often include a number of caveats hinting at potential risks from third-party claims to title which may arise in the context of ongoing public programs related to land restitution, cadastral survey, and land registration. As a result, investor confidence is often not strong at the time of the initial investment but grows over time.

In April, 2013, the Romanian government admitted that restitution issues were real and, implicitly, that the advisors' caveats were legitimate, as according to officials, 200,000 requests for land restitution were being assessed at the time by various administrative authorities. In addition, approximately 3,000 claims for breach of property had been filed with the European Court of Human Rights (ECHR). On October 12, 2010, in fact, the ECHR had asked the Romanian government to revise its restitution legislation in order to ensure an effective restitution mechanism and avoid repetitive requests being made before the ECHR.

In reacting to these problems, the Romanian government has promoted a number of reforms and initiatives in recent years aimed at reducing the legal uncertainty and improving the property market conditions.



First, Romanian Law no. 165/2013 on the measures for the finalization of the land restitution process, which came into effect on May 20, 2013, was designed to reconcile and integrate all previously adopted measures, which were spread over a large number of enactments. As a first step in the process, local authorities were instructed to conduct inventories of all available land resources that

could be used for restitution purposes. On December 31, 2015, the government reported that 98% of the inventories at the national level had been completed and set a deadline of January 1, 2017, for the finalization of the restitution process.

Second, a long-awaited National Program for Cadastral Survey and Land Registration 2015–2023 was launched on May 20, 2015, to achieve a systematic registration of all real estate properties (land, as well as constructions) – currently estimated at 40 million – with an integrated digitalized system of cadaster and land registry, to which the government has estimated overall budget allocations of EUR 900 million. Although at the time of the program's adoption only 18.68% of the overall stock of real estate at the national level was in the system, after less than a year, the statistics of the agency designated to oversee the program showed an increase in registered properties to 21.60% (which represents an increase of 1.17 million estates in absolute value). In urban areas, the number of registered properties exceeds 45%.

The reforms and initiatives described above are producing results, but more time is required. In the interim, many investors wishing to invest with confidence are choosing to acquire title insurance policies. If, for any reason, insurance products are not an option for prospective investors, Romanian legislation offers a number of effective protective measures. Thus, provided an acquisition is made in good faith and a period of time (typically ranging from 3 to 5 years, depending on the circumstances of the case) has passed from the date of acquisition, a title's registration with the public registry may turn into a strong shield, able to protect an investor's ownership in the event of potential disputes.

In addition, in October, 2011, Romania enacted a new Civil Code, replacing the 1864 Civil Code. This new enactment strengthened the title to Romanian properties and created the premises for a more powerful registration of properties with the land registry.

In conclusion, Romania provides substantial legal guaranties related to real properties, and provided that proper legal due diligence is conducted, buyers have sufficient means of protecting their titles against claims from third parties.

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## Moldova

### The Real Estate Situation in Moldova: What's New?

#### Cadastre System

A centralized cadastre system was introduced in Moldova in 1998. This system includes the cadaster of real estate, which involves a collection of data by the Moldovan real estate authorities about rights (including easements), proprietors, and other persons in relation to real estate. The Moldovan authorities responsible for storing information about real estate include the Cadastre Agency, the state enterprise "Cadastru",



and its territorial branch offices.

All real estate must be registered. Moldova's Law 1543/1998 defines objects of registration as all land plots, buildings, and constructions tightly connected to land, apartments, and other isolated premises. Lakes, ponds, subsoil plots, and forests can also be registered separately.

Each piece of real estate is listed, separately, in a real estate register (*registru al bunurilor imobile*). Records in these registers are open for public access. Any person making a written request and presenting his or her identification document will receive the requested information. Access can also be obtained online (because online visual information from the local cadaster is not always accurate, we also recommend that parties procure geometrical plans of respective locations (including identifying the neighbors and access to a public road)). More detailed information (including historical online excerpts and preliminary evaluations) is also available on a contractual basis with the state enterprise Cadastru.

By law, information from a real estate register is deemed to be authentic until proved otherwise in court. As a consequence, third parties may rely on it.

### A Brief Look at Transactions Involving Real Estate

All agreements involving real estate transactions must be concluded in writing and authenticated by a notary.

An ownership title over real estate is obtained by the purchaser once the transfer is recorded in the appropriate real estate register. As a rule, the agreement between parties represents the legal basis for the registration.

In practice, the mere authentication of a Moldovan real estate transaction by a foreign notary is not prohibited by the Moldovan legislation, but a party attempting to register foreign authentication may encounter opposition from the local. Our recommendation is to have a Moldovan lawyer on board to make sure that the transaction is accepted locally.

### Can Foreigners Own Real Estate in Moldova?

Not much has changed in the last decade for foreigners wishing to purchase Moldovan real estate. No permits are required for foreign individuals or legal entities wishing to purchase real estate. Local laws guarantee the right of foreigners to own real estate (e.g., constructions, land plots, etc.) in Moldova. Legislation also allows foreigners to buy, own, and sell land plots obtained from the state (public or local authorities), for construction or any other purpose.

There is one exception to the above – a prohibition against purchasing agricultural land and forests by foreign persons (including stateless persons). Agricultural land and forests can only be sold to (and transacted between) Moldovan nationals. Local law goes even deeper and limits the right of Moldovan companies to purchase these objects if they have any foreign – even indirect – shareholders.

The issue of foreigners owning agriculture land in Moldova is extremely politicized. Governing political parties refrain from letting foreign capital come into this sphere, probably out of fear that such changes would be disapproved of by their constituents. As a result, although Moldova is an agricultural country, agriculture remains one of the economic areas with the least amount of foreign investment. No change is foreseeable in the near future.

### Tax Aspects

#### 1. Profit Tax

Profit generated from real estate transactions (including those involving rent) is subject to profit taxation and varies depending on whether the person profiting is an individual or company. Currently the profit tax for individuals is applied in a two-tier system: 7% for those with incomes under MDL 29,640 (about EUR 1,325) and 18% for those with incomes over MDL 29,640. Personal exemptions exist for natural persons residing in Moldova.

The current profit tax for companies in Moldova is 12%.

#### 2. VAT

The standard VAT rate is 20%. Regardless of the nature of participants (entrepreneurs, natural persons, including foreigners, etc.), the following transactions are exempted from the application of Moldovan VAT: (a) sales of apartments; (b) sales of land plots; and (c) leases (renting) of objects falling under (a) and (b).

Vladimir Iurkovski, Partner,  
Schoenherr Chisinau

## Montenegro

### Acquisition of Title to Real Estate by Foreigners in Montenegro



As a developing country and a candidate state for the EU and NATO, Montenegro has done a great deal to establish an effective legal and institutional framework in many areas.

In this regard, the Montenegrin government has recognized that direct foreign investment is a significant contributing factor for future growth and development.

Hence, certain procedures, including those related to the acquisition of title to real estate by foreigners, have been simplified and made available to foreign persons and legal entities interested in investing or incorporating company branches in the country.

Proprietary rights in Montenegro are regulated by the Law on Proprietary and Ownership Rights, which prescribes as a general principle that foreigners may acquire immovable property under the same terms as Montenegrin citizens.

In accordance with the Law on Foreigners that entered into force on November 1, 2015, in order to determine the type and value of the real estate owned by foreigners, the Montenegrin Government has adopted a Decree on Establishing the Value of Real Estate Owned by a Foreigner in Montenegro.

Furthermore, the Law on Foreigners prescribes that foreigners who own real estate in Montenegro such as family houses, villas, restaurants, residential and commercial buildings, apartments, and business premises are eligible for Temporary Residence Permits and then, if they have spent 183 consecutive days in the country, to become tax residents of Montenegro.

The Law on Proprietary and Ownership Rights restricts the right of foreigners to acquire certain ownership rights. These restrictions apply to natural resources, goods in general use, agricultural land, forest and forest land, cultural monuments of great and special importance,



immovable property within one kilometer of a border and islands, immovable property which is located in an area critical to the interests and security of the country, and other areas which may be legally designated as impermissible for foreign persons to own.

As an exception to these limitations, foreign persons may acquire rights of ownership in agricultural land, forests, and forest land with an area of 5,000 square meters or less, but only if the subject of the contract on transfer (via purchase, gift, exchange, etc.) is a residential building located on the property.

It is important to note that if real estate is acquired for the purpose of doing business and making income instead of habitation, then these activities have to be performed via legal entity registered in Montenegro. Foreign legal entities are given an option to establish either a Limited Liability Company or a Joint Stock Company.

Acquisition of property is defined as: buying, selling, exchanging, inheriting, gifting, entering and withdrawing property of the company, obtained via liquidation or bankruptcy procedures or via a decision of the court or other competent authority, among other means.

Montenegro regulations require that a contract involving the acquisition of real estate must be signed by both contractual parties or by their authorized representatives. This contract must be executed in the form of a public notary deed at the Public Notary Office with jurisdiction for the municipality in which the subject property is located. Costs related to the preparation of the contract are prescribed by the tariff that applies to public notaries, and they depend on the value of the real estate that is the subject of the contract. In this phase, an administrative tax for filing a request to change ownership must be paid by the buyer to the Real Estate Administration.

Once legal ownership is confirmed, the competent authority of the local government determines the value of the property. The buyer is then required to pay a property transfer tax determined by the Law on Real Estate Transactions Tax at a flat rate amounting to 3% of the tax base.

The law prescribes annual taxation of real estate in private ownership, and taxpayers are defined as individuals who are inscribed as owners in the Cadastre of Immovable Property or other relevant real estate records on January 1 of the year for which the tax is determined.

With Montenegro's infrastructure developing rapidly to service the most sophisticated clients, from super yacht marinas and five star hotels to international airports providing flights to many European capitals, there is a growing interest in Montenegrin property, which is an increasingly attractive real estate investment opportunity.

*Jelena Vujisic, Partner,  
Vujacic*

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## Belarus

### Real Estate Acquisition in the Belarusian Market



Real estate is one of the most reliable forms of investment. The current trend in the real estate market in Belarus is a decrease in the price of both commercial and residential real estate due to excessive supply. This tendency may be interesting for foreign investors, since the yield rate in Belarus is usually at a high level.

Apart from land plots, Belarusian law treats the following as real property objects: a) buildings and constructions (permanent structures); b) isolated premises (parts of buildings registered and regarded as separate real property); c) parking places (structures registered and regarded as separate real property); and d) objects of incomplete construction.

These objects may be for commercial or residential use.

Commercial properties may be acquired by both foreign companies and citizens.

Since March 2013, foreign citizens and companies have been provided with the right to purchase privately owned residential properties based on any type of agreement (i.e., a sale-purchase agreement, a contract of exchange, etc.). Acquisition of state-owned residential property is permitted only when an international treaty specifically allows for the acquisition.

Acquisition of a non-state-owned building involves the transfer of the land plot's title to the new owner of the building. As the general rule is that ownership of land plots cannot be acquired by foreign citizens or companies, land plots are provided to foreign citizens or foreign companies by lease, and in practice the land user often provides for transfer of the rights to the land plot into the lease rights. The maximum duration of a lease agreement is 99 years.

Execution of an acquisition contract usually involves the following stages:

**Legal check of property** and the owner's rights to dispose of and alienate the property. In particular, this involves a determination of: (a) whether the property is included in the list of objects for which the local authorities enjoy the right of first refusal to acquire the property; (b) whether all necessary corporate approvals of the authorized body have been obtained; (c) whether the signer is duly authorized; (d) whether there are any encumbrances over the property that will transfer to the new owner together with the title to the property (e.g., mortgages, arrests); (e) whether any unauthorized improvements or additions to the property were made; and (f) the history of transactions involving the property.

**Technical check of property.** An examination of the actual state of the object being purchased may discover hidden and often irreparable technical defects. In addition, many unauthorized improvements and/or additions to the property may be found that could not be established during the legal check. Unauthorized improvements and additions may result in administrative liabilities for the new owner and other negative consequences, up to and including the obligation to restore the building to the condition it was reported as being at the time of sale.

**Preparation of the sale-purchase agreement.** Foreign laws may not govern the sale-purchase agreement. Only Belarusian laws shall apply.

**Registering** the foreign citizen and/or company that is purchasing the property with the tax authorities.

**Notarization of the agreement**, if the seller or a buyer of the property is a natural person.

**Registration of the transaction and transfer of the titles** to the property and the land plot with the Unified State Register of Real Estate, Rights Thereto, and Transactions Therewith (i.e., the Real Estate Register). Registration procedures usually take up to five business days, although urgent procedures (allowing for registration in 1 day) are also possible. Depending on the terms and conditions of the sale-purchase agreement, registration of the agreement and registration of the title to the property may be performed either simultaneously or one after another (for example, after payment for the property). As a general rule, real estate is considered to be mortgaged by the seller if it was transferred to the buyer but has not been fully paid for.

Although letters of intent are not widely used in Belarus due to their unclear nature from the Belarusian law point of view, they are nonetheless binding for the parties where they comply with the requirements for preliminary sale-purchase agreements.

In practice, real estate may also be acquired through share transfer. However, this option is less preferable since the buyer, on completing the transfer of shares, assumes responsibility for the whole company including any matters that occurred before change of ownership.

*Ekaterina Zabello, Partner,  
Vlasova Mikhel & Partners*

## Bulgaria

### Acquisition of Off-Plan Property in the Bulgarian Real Estate Market



After several years of crisis, the real estate market in Bulgaria has begun its road to recovery. In particular, due to the increased demand for residential units and office spaces on the one side and the standstill of real estate development on other, a need for new and quality units in larger Bulgarian cities – where most real estate deals are concentrated – has appeared on the market. This has led

to an increased demand in Bulgaria for off-plan properties – real estate properties for which the construction process is already in preparation or ongoing.

#### The Benefits of Acquisition of Off-Plan Property

The benefits of off-plan properties for developers relate to the possibility of a decrease or full elimination of the necessity for external financing, and to the opportunity to secure the sales of the properties at a very early stage by signing preliminary agreements. For buyers, the main benefits are: (i) the usually significantly lower prices for the properties, and (ii) the flexible acquisition patterns offered by the developers (e.g., payment in installments corresponding to the construction stages).

#### The Risks for Buyers

The apparent advantages of off-plan property acquisition are opposed by significant risks for the buyers, often relating to: (i) the timely com-

pletion of the construction; (ii) the compliance of the construction with all requirements of applicable law; (iii) the solvency and continued existence of the developer until the finalization of the construction process; and (iv) the transfer of the ownership title to the constructed unit as stipulated in the preliminary agreement.

#### Important Documents to be Checked

The purchase of off-plan properties requires a complicated transaction structure. The buyer should sign a preliminary agreement with the developer which simultaneously covers the conditions for the future purchase and assigns the construction process of the future unit to the developer. Furthermore, the preliminary due diligence process should address not only the ownership and construction rights of the developer but also construction documentation such as the investment project, construction permit, and construction deeds (where the construction process is at an advanced stage).

The investment project has to be duly approved by the competent authority – usually the chief architect of the municipality/city district in which the project is located. Approval of the project means that it complies with the requirements of the general development plan and the applicable statutory construction parameters.

The construction permit has to be duly issued by the competent authority – again the chief architect of the municipality/city district – and also has to have entered into force. The date of entering into force is critical due to the limitation periods which begin running from that date: three years for the beginning of the construction process and five years for the completion of so-called “rough” construction.

The developer also has to provide the buyer with a table for the formation of the price and the built-up-area. This document will provide the buyer with an idea about the full built-up area and the common parts belonging to the future apartment/office, etc.

Where the construction is already at an advanced stage, a certificate for completed “rough construction” and a deed for this stage will be available. Once the relevant certificate is issued, the developer may start transferring the ownership rights to the future units.

The most important document, certifying the finalization of the construction and its compliance with statutory requirements, is the exploitation permit.

#### Mitigation of Risks

First, buyers should check the market reputation of the developer to determine how many projects he has completed successfully and whether he is/was involved in relevant litigation proceedings. Developers often set up new companies for individual construction projects to protect the rest of their on-going business and properties from any claims related to the particular development being considered. In such cases, it is highly recommended that the buyers request additional security from the developer against payment of the installments. Careful drafting of the preliminary agreement and delaying payment of the prevailing part of the purchase price as late as possible are also essential. A common practice is paying part of the purchase price after the provision of the exploitation permit or even after the expiration of a certain period thereof. However, buyers should aim for the earliest possible transfer of the ownership title to the construction unit. Finally, buyers should request copies of all applicable construction documents, which will benefit them in potential claims within the construction guarantee periods.

*Darina Baltadjieva, Partner,  
CMS Bulgaria*

## Czech Republic

### Recent Developments in the Real Estate Market in the Czech Republic



Similar to most countries in the CEE region, the Czech market is in a growing phase. After the economic downturn during 2009-2011 and slow growth in the embarrassing years of 2012 and 2013, we witnessed a change to a positive, optimistic mood in 2014 and 2015, which has led into an almost frantic buying mode in 2016.

The result of this is a hike in sale prices, on the one hand, which results in lower investment yields, on the other. Here is a brief overview of developments in the particular market segments:

#### Industrial

This sector is the clear winner of the recent growth. The market consolidated in recent years, with only a limited number of highly professional developers competing among themselves. So called “land banks” – i.e., plots of lands secured on a future purchase agreement basis – are almost exhausted. Some regions, such as West Bohemia, close to the highway from Pilsen to Germany, however, are over-crowded and suffer from a chronic shortage of qualified employees, who must then be brought in at higher costs from more distant places.

Hence, both developers and clients are actively looking for new alternatives in other regions of the Czech Republic. The preparation of suitable land plots seems to be rather slow, however, and not able to satisfy the still-growing demand. That certainly means that the industrial market is overheated.

Some big names have entered the Czech market in recent years, such as Amazon in Prague; however, other big projects were killed off by inflexible political representation.

#### Retail

Although the market seems to be almost saturated, there are still some new shopping centers under construction, with others being enlarged. There is a difference between a good and successful center and the apparently growing number of average, unfriendly, and half-empty centers with a high frequency of tenant changes. Also, the public has become more sophisticated, demanding better quality (not only in goods for sale, but also in related services), more comfortable parking, longer opening hours, easy traffic accessibility, and so on.

We see the future of the retail segment as involving more green buildings and an implementation of new trends, such as retail academies instructing shop assistants how best to approach their customers and provide them with the sense that they are welcome and important.

#### Residential

Although Prague has around 2500 new unsold flats, there is a large number of new residential projects, either under construction or in the pipeline very close to being put on the market. Whereas in the past the majority of the residential developers concentrated on the average size, medium quality, with price being the only decisive element for the buyer, nowadays we are often surprised by the number of high-end projects offering above average or even luxury apartments with an accent on prime location, usually with outstanding views and exacting construction standards. The normal segment is well covered; however,

the gap between new development at the low and high end of the price scale will continue to grow.

Also, low interest rates on mortgages is making bank financing more easily available and accessible. As a result, families are moving to bigger, better apartments or family houses and many people buy homes or flats as investment property or on a speculative basis.

#### Church Restitution

Finally, after waiting more than 20 years, the Czech Parliament adopted the Church Restitution Law, eliminating the blockading of Church plots, hence enabling further development all over the Czech Republic. The majority of assets have already been transferred to the particular Churches, but a significant number of disputes involving Church plots remain pending with various courts.

#### Hotels

The Czech Republic – and especially Prague – is a prime tourist destination in CEE for many reasons, including the fantastic and well-preserved historic Prague city center, the best beer in the world, a variety of cultural events, and a central location in the heart of Europe (a geographical gravity center is located in the country). All of that contributes to the fact that the number of visitors grows year after year, which naturally increases the occupancy rate of Czech hotels.

Hence, after a few years of relatively low turnover in the number of hotel acquisitions, we are positively surprised by the many hotel sale transactions we are seeing, confirming the trust and confidence of investors in the future of the Czech Republic as a popular tourist destination.

#### Offices

The growing amount of available office space puts tenants in a strong position when entering new leases or renewing leases. Rent-free periods of six to nine months have become a standard as well as substantial fit-out contributions by the landlord for the benefit of the tenant.

#### Chinese Investment

At the end of March, 2016, the Chinese president visited Prague, and contracts for mutual cooperation and development in real estate were signed, promising Chinese investments of several billion USD into the Czech economy.

So we will see what the future will bring us.

*Jiri Barta, Partner,  
bvp Braun Partners*

## Slovakia

### New “Significant Investment” Legislation



For the purpose of attracting new investors and facilitating the implementation of new investment projects in Slovakia, the Slovak Parliament has recently adopted an amendment to the Act On Certain Provisions Relating to the Preparation of Significant Investments (“Act on Significant Investments”) and

several amendments to the Building Act governing the general procedure for expropriation of real estate, territorial proceedings, and building permit proceedings.



The new legislation was adopted primarily to address two major issues that were hindering the implementation of large investment projects.

First, areas that are appropriate for implementing the investments, such as strategic parks, are often unprepared for construction (e.g., there are complicated property rights to the real estate or there is no infrastructure of any kind).

Second, the process of gaining the necessary permits (i.e., the zoning plan, zoning decision, and building permit) and of expropriating the real estate affected by the investment was very lengthy and cost consuming.

The new legislation provides a solution for both of these issues.

The changes to the Act on Significant Investments are directed at solving the first of these issues by facilitating the preparation of undeveloped areas that can be used for the implementation of major investment projects, particularly in the industry, services, and research and development areas (i.e., construction of strategic parks and production plants).

Previously, essentially only constructions with initial costs in the amount of at least EUR 100 million or a construction with national economic importance leading to the creation of at least 300 new jobs could be certified as a “significant investment” (i.e., classified as a construction in the public interest by the Slovak government).

However, under the new legislation, a certificate of significant investment can now also be issued to wholly state-owned companies to prepare suitable (i.e., undeveloped) areas for the subsequent construction of strategic parks. This means that prior to the construction of the strategic park itself, the state can – by virtue of a certificate on significant investment – arrange the property rights to the real estate in the area designated in the certificate for the realization of the investment (the “Designated Area”), develop the road or access roads, develop the railroads, and develop the related ancillary buildings and facilities, etc.

Another important change is the statutory right of first refusal, which originates on all of the real estate in the Designated Area for the benefit of the state. The right of first refusal arises by virtue of law as soon as the certificate on investment is issued and shall to a great extent help to eliminate the speculative transfers of the ownership rights to the real estate in question prior to the process of buy-out or expropriation of the real estate in the Designated Area, which was often the case in the past.

The second issue – the onerous permitting and real estate expropriation processes – can only be resolved if there is a more effective and easier process for territorial proceedings and a simplified process for building permit proceedings. This required changes to the Building Act.

As a result of the first major change, no zoning plan or zoning decision is needed to initiate the process of expropriation of the real estate in the Designated Area. A certificate on significant investment delivered to the investor is sufficient for that purpose – i.e., the state can start the process of expropriation based only on the certificate on significant investment and without requiring a new zoning plan and zoning decision, which are always necessary in public projects of a smaller size.

As to the process of territorial proceedings, no zoning decision is necessary either for constructing a strategic park or for preparing

the area for the construction of a strategic park by the state, if the functional use of the area does not conflict with its location and previously approved zoning plan.

Following the changes to the law, only a building permit is necessary. Moreover, the investor does not have to prove ownership of the real estate in the Designated Area before the building permit is issued, unlike in the standard proceedings on building permits, in which ownership has to be proved to the building office at the commencement of the building permit proceedings.

These two changes can therefore really speed up the process of preparing an area for the construction of a strategic park and the process of constructing the strategic park itself.

To sum up, the recent changes in Slovakian “significant investment” legislation should greatly facilitate the realization of large investment projects that can boost the economy in undeveloped areas and increase job opportunities. Still, the application of the changes can have a substantial impact on ownership rights to real estate located in the Designated Area, which may lead to challenges to the new legislation in the future.

*Andrea Butasova, Partner and Director,  
Peterka & Partners Slovakia*

## Turkey

### General Introduction to Real Estate Investment Companies in Turkey



#### Introduction

A rapid increase in the Turkish construction sector which caused companies to experience difficulties in covering their liquidity demands led to the 1995 introduction of Real Estate Investment Company (“REIC”) practices. Since the construction sector in Turkey has grown significantly in recent years due to increased economic stability, new regulations, extensive urban renewal projects, and rapid population growth that attracts and inspires foreign investors to invest in the Turkish real estate market, we would like to touch briefly on the REIC.

#### Definition of REIC

REICs are regulated in Capital Markets Law under Communiqué number III-48.1 (the “Communiqué”). According to the brief definition in the Communiqué, REICs are “a type of capital market institution which is founded in order to issue its shares for the purpose of operating and managing a portfolio composed of real estates, real estate projects, real estate based rights...”. In addition to this definition, there are also some other activities stated in the Communiqué, such as Infrastructure investment. Pursuant to the Communiqué, if a REIC’s activity covers only infrastructural investment, then its portfolio shall consist only of infrastructural investments and services.

#### Scope of Activities

The main aim of REICs is investing in profitable real estate projects, including projects owned by companies that are idle because of their lack of liquidity. REICs are only able to engage in activities permitted by the Communiqué that it defines as real estate projects or, if the

REIC's Articles of Association contain a specific clause permitting it, infrastructure projects.



Pursuant to the Communiqué, REICs are under an obligation to invest at least 51% of their total assets in real estates, real estate projects, and real estate based rights. Moreover, at least 75% of the total assets of REICs shall be composed of activities and operations in a specific field of business or investment in a particular real estate or infrastructure project. REICs are not directly allowed by

the Communiqué to be involved in construction, have equipment or machines, or operate any hotel, shopping mall, supermarket, or residential site for commercial purposes other than generating rental income or for purchase and sale of the real estate.

### Main Conditions of the Establishment

REICs may be established directly as a joint stock company by having their Articles of Association compatible with the Communiqué or by amending their Articles of Association in accordance with the Communiqué. The establishment applications of REICs are first subject to the approval of the Board of Capital Markets (the "Board"), then the Ministry of Customs and Trade. In order to get approval by the Board, REICs must satisfy the requirements of the Communiqué. Basically, these requirements are: (1) Initial capital – or in the case of conversion, each of its paid capital, issued capital, and equity capital – shall not be less than the amount determined every year by the Board; (2) Founders of the REICs shall not have any criminal records, overdue tax debt, suspension of bankruptcy or order of bankruptcy, and shall have financial capacity and a good reputation; (3) The members of the Board of Directors and the general manager shall meet the requirements specified in the Communiqué; (4) The registered title of the new company shall include the phrase "Real Estate Investment Company"; and (5) At least 25% of its initial capital or issued capital shall be offered to the public within three months.

Pursuant to the Communiqué, REICs may only issue shares providing the privilege of nominating members of the Board of Directors as privileged shares before a public offer. After the public offer, REICs cannot issue privileged shares even though the shares are related to the nomination.

### Main Incentives

Although REICs are restricted in their activities, they receive special tax advantages which enable them to avoid some tax obligations. For instance, pursuant to Corporate Tax Law, incomes of REICs are excluded from the 20% corporate tax. Additionally, if the Board makes profit distribution obligatory to a REIC, the 15% tax on distributed shares will be excluded from withholding tax as well. These incentives – which represent major advantages of REICs – attract both small and large, domestic and international investors who are looking to diversify their stock portfolios and would likely benefit from REICs' long-term returns.

In light of the above, even though there are attractive incentives for investors, since the capital requirement for REICs is extremely high and is subject to capital market regulations, they are strictly supervised by the Board. Thus, in accordance with the Foundation of Real Estate and REIC, there are currently only 31 REICs actively running.

*Funda Ozel, Managing Partner, and Muhammet Yigit, Associate, Bener Law Office*

## Austria

### Real Estate in Austria – Recent Developments



As is well known, the Austrian real estate market is very stable. Neither the financial crisis nor other events at macro and micro economic levels have led to a massive fluctuation in the yields and values of properties in Austria. Consequently, the Austrian real estate market has come into consideration by foreign investors.

However, recent developments in Austrian legislation will have an influence on the real estate market in Austria, as new ways of structuring real estate transactions will have to be considered.

In the past, the land transfer tax was triggered if all the shares in a corporation owning a property were pooled together. However, the tax could be avoided if the purchaser did not buy 100% of the shares in the company owning the property but bought them with a second entity/person. It was sufficient if the second buyer only bought a minor share in the target (e.g., 0.1%).

As of January 1, 2016, however, the land transfer tax is triggered if 95% (and not 100% as in the past) of the shares in a partnership or corporation owning a property are transferred to one entity/person or pooled in one hand. Furthermore, the calculation basis for the tax has been significantly increased, and the transfer tax now amounts to 0.5% of the property value and not, as in the past, to 3.5% of three times the Einheitswert (the previous valuation system used by authorities).

In addition, a new special provision has been implemented for partnerships. The land transfer tax will now be triggered if, within a period of five years, at least 95% of the shares in the assets of a partnership owning a property are transferred to new shareholders.

However, there are ways to avoid the land transfer tax by using tailor-made structures for the transactions – for example, if a minor share of at least 5% is bought by a second entity/person or if a partnership buys a double-deck structure.

In addition, the real estate tax on profits has been increased.

Also, the corporation tax of 1% on capital contributions from shareholders has, since January 1, 2016, ceased to exist. It will therefore be easier for shareholders to provide capital to SPVs in Austria. In the past, it was necessary for the grandparent company to make the capital contribution if they wanted to avoid corporation tax; today the shareholder can provide the capital contribution directly, without triggering the corporation tax.

Like many other European countries, Austria is also currently facing a large flow of refugees, and amendments to the building acts of each Austrian province are being discussed. These amendments would facilitate the erection of temporary buildings for refugees by easing the approval process, so building permits can be granted without requiring compliance with all the provisions of the building acts. However, some fear that this interim solution could become a permanent one and that this interim solution will be misused for future projects.

Finally, an amendment of the Austrian Rental Act, which is applicable to most residential and commercial leases, is also under discussion. The act contains very strict regulations as to rent and refurbishment works, etc., and mainly protects residential and commercial tenants' interests.

The goal of the amendment should be the simplification of these very complex and complicated regulations. Foreign investors are also astonished by the fact that commercial tenants are protected in more or less the same way as residential tenants. Reform of Austrian rental legislation is, in essence, a never-ending story, and this situation may not change, as the parties involved have interests which are not mutually compatible. Modern rental legislation which made the Austrian real estate market more attractive for investors would be welcomed here.

*Johannes Hysek, Partner,  
CMS Austria*

## Croatia

### Could Real Estate Once Again Become the Trigger to the Investment Cycle in Croatia?



Following the Croatian parliamentary elections in November 2015, a new Government was formed at the end of January, spearheaded by Prime Minister Tihomir Orešković. The new Government is taking over a state with an economy showing signs of recovery following many years of recession, with yearly growth recorded at approximately 1.8%. However, in spite of these positive signs, Croatia undoubtedly has a long, heavy, and uncertain road ahead in order to achieve complete economic recovery.

As a result, the Government has introduced guidelines to encourage further growth by increasing the country's economic competitiveness and credit rating, decreasing its public debt, and increasing its attractiveness for new investors.

In the Prime Minister's announcements, as well as in the drafts and proposals issued by governmental authorities responsible for management of state assets – above all the State Office for State Asset Management (DUUDI) – the need to divest more than EUR 500 million in state assets is consistently pointed to as a necessary measure. The country's previous experience with selling state-owned shares in companies makes it questionable whether the proposed model will be successful and attractive to buyers this time, especially as state-owned shares in valuable companies – because they have been declared “strategic” – are not on the market. However, the state's real estate portfolio might potentially be recognized by investors as a sound opportunity to invest in Croatia.

The state intends to put on the market and thus “activate” a large amount of state-owned real estate which currently represents merely unused potential and only generates expenses. A substantial amount of this real estate takes the form of state-owned apartments, business premises, and construction land. What could be especially interesting for investors is the formerly military-owned real estate, the management and disposition of which DUUDI took over from the Ministry of Defense upon its declaration that it had no value from a military perspective. So far DUUDI has recovered more than 320 separate pieces of this former military real estate, located throughout Croatia and encompassing significantly large plots of land and a whole range of buildings and other premises, several of which are located on the coast or in the vicinity of larger towns. These features in particular are the reason that this military real estate offers a great investment potential, especially in the tourism and industrial sectors. And indeed, a number of foreign and domestic investors have apparently already shown their interest in several sites from this portfolio.

However, before placing this real estate on the market it is necessary to resolve its legal status and to make certain interventions within the legal framework and spatial planning documentation. In particular, because of the military-related status of the real estate, in most cases the ownership of the real estate has not been updated and buildings on the land have not been recorded either in the cadaster or in the land registry. Furthermore, former military facilities have mostly represented “holes” in spatial planning documents, with zoning designations yet to be determined – though this could also be an advantage, providing a flexibility to adapt the designation to investments needs.

With respect to the means of disposing the former military real estate, it is the state's intention to primarily assign the real estate to investors on the basis of rights limited to a certain period of time (building rights, leases, concessions, etc.) for a maximum period of 99 years. The disposition should be carried out by way of a public tender, and only under exceptional circumstances, if certain legal conditions are met, could the state property be disposed of by way of a direct agreement.

To conclude, in order to lower the deficit and encourage investment into the country the state intends to reach into its treasure chest and offer to investors former military real estate, some of which has exceptional touristic and industrial potential. It remains to be seen whether investors will recognize the potential of this currently “dead” property and whether the state will have enough strength and wisdom to see this reanimation process through.

*Marin Vukovic, Partner,  
Divjak, Topic, Bahtijarevic*

## Greece

### Investing in Greek Real Estate: Will There Ever Be a Perfect Time?



*Could Real Estate Investments in Dire Financial Times Turn From High-Risk Ideas to No-Brainers?*

Over the last seven years, Greece has been under an austerity restructuring program, receiving extended aid from European financial institutions and international creditors in an attempt to tackle its overly high deficits and incessant market stagnation. This year did not get off to a flying start for financial markets, and in particular the Greek real estate market, which – following a long period of significant contraction – remains subdued and of uncertain outlook.

The question that pops up is when is the right time to invest. All investors – both seasoned and novice – wish for the ability to master the market's intricacies and perfectly predict market swings when formulating their strategies. Sadly, however, most of the markets are governed by random action, making it practically impossible for investors to build and develop investment projects on the basis of current market yields. Things seem to be even more complicated when investors are called to invest in times of financial meltdowns and inevitable crashes.

Let's zoom in on the Greek commercial real estate market. In a nutshell, a slowing economy, tight credit standards, and liquidity shortages have curtailed real estate activity, leading to business bankruptcy, higher vacancies, and investment reluctance. In addition, business activities and investment interest appear to have been further severely affected by the adverse and volatile legal framework regulating real property tax. Real estate taxation has been a thorny issue for Greek government,



lenders, and investors alike, with the government insisting on higher taxes across the board and planning to increase the rates of ENFIA – the tax levied annually on property located in Greece on the basis of specific coefficients (e.g., size, location, zone price, surface, age, and use).

On the good news side, the Greek real estate sector has not ceased to offer a wide range of property investment opportunities, including prime commercial properties, real estate development projects, vacant units, and unused commercial premises, along with secondary retail, warehouses, and non-prime office buildings, frequently featuring investor-friendly assets such as soundness of location, current and future infrastructure initiatives, optimal urban planning, and migration patterns. Unfortunately, while investors would theoretically want to get their hands on such real properties, Greece's current overextension and inability to make good on its debts hold them back – or at least this seems to apply to the conservative investing approach.

However, aggressive investors generally agree that when times are bleak, that is the time to invest. Accepting a relatively high degree of risk and always being prone to whipsaw actions, they aspire to draw trend lines allowing low entry points in hopes that they will come out on top in the mid-term. From a Greek market point of view, safety-sensitive strategies usually turn in favor of the investors when they are built as time-tested techniques – i.e., investing a set amount of money on a certain asset for a specific time frame. Thanks to the current depressed prices, the Greek real estate market appears to be open to such techniques, favoring investments that – despite the high risk involved – may easily turn out to be safe bets. The number of international investors already testing an aggressive approach in the Greek territory, such as Fairfax Holdings and – most recently – Landis+Gyr, would appear to confirm this analysis.

An attempt at a reality check would confirm that prime real estate prices are currently relatively low, indicating only a slight chance of minimization in the immediate future and, therefore, any ups and downs in the market will cause little harm in overall investments. However, a potential risk that needs to be assessed prior to any investment decision involves the real estate taxation developments. The upcoming few months will indicate whether the government is planning to stick with the current property taxation system or whether everything will change again for property owners and potential investors. Until then, investors will have enough time to determine whether the current dire economic straits call for strong intuition or solid risk assessment strategies.

*Panagiotis Drakopoulos, Senior Partner, and Mariliza Kyprissi, Senior Associate, Drakopoulos Law Firm*

## Slovenia

### Real Estate Market in Slovenia – The Latest Trends and Developments



Having reached its financial crisis-instigated bottoms in 2009 and 2013, the Slovenian real estate market started showing first signs of recovery in mid-2015 and has since gathered steady momentum, slowly bringing itself towards its pre-crisis levels.

#### A Brief Statistical Outline

According to the Surveying and Mapping Authority of the Republic of Slovenia, the first half of 2015 saw the completion of over

13,300 real estate-related transactions in a total amount topping EUR 720 million, with the residential and the commercial real estate markets seeing an increase in the number of transactions by 29% and 38%, respectively, compared to the same period in bottom-hitting 2013. According to the Statistical Office of the Republic of Slovenia, the number of transactions in the residential market peaked at 9,314, nearly reaching the all-time high of 10,119 in 2007. Trends regarding the sales of construction land have been less encouraging, with the number of transactions approaching its lowest point since 2009.



family houses available for sale, resulting in a price decrease of 4.3% compared to the previous year. The overall average price of residential real estate rose by 0.8% in 2015, representing the first increase of the kind in three years.

#### BAMC's Impact on the Market

Considering the magnitude of its portfolio, further developments in the Slovenian real estate market depend to a notable extent on the future policy of the Bank Assets Management Company ("BAMC"). BAMC is a State-owned company established to facilitate the restructuring of systemic Slovenian banks, which – to stabilize them – entailed the transfer of their non-performing assets to BAMC. Consequently, BAMC holds in its portfolio real estate assets worth over EUR 80 million, along with real estate-related claims exceeding EUR 1 billion in value.

BAMC's real estate portfolio consists of over a thousand real estate units. Since its establishment in 2013, BAMC has only managed to sell 29 real estate units for a cumulative amount of EUR 3.8 million, meaning that the largest portion of its real estate assets remains to be sold. Among these remaining assets are two large residential complexes in Ljubljana and Koper, with 227 and 215 individual residential units respectively. Both complexes are expected to be renovated prior to their sale, and once they are put on the market along with the other units, the significant increase of supply which is expected to result should put pressure on the prices of residential units across the country.

#### Anticipated Legislative Changes

Rigid, over-detailed, and impractical legislation in the field of new construction has often been singled out as a primary hindrance for real estate-related investment. Seeking to remedy the problem, on November 20, 2015, the Ministry for Environment and Spatial Planning of the Republic of Slovenia launched a public debate on drafts of three new legislative acts: the Spatial Management Act, the Building Code, and the Chartered Architects and Engineers Act. The drafts of these legislative acts are aimed at providing an increased flexibility to the process of spatial planning, reducing the risks usually incurred by investors, and providing a more suitable regulation of the professions pertaining to the field of real estate development (i.e., authorized architect, landscape architect, spatial planner, land surveyor, and engineer).

Furthermore, by focusing on optimizing the structure of tax burdens and hence improving economic growth, and having seen its previous

attempt fail in 2014, the Ministry of Finance of the Republic of Slovenia plans to introduce a new system of real property taxation by 2017. The resulting income would fall entirely within the domain of the budgets of local municipalities and thus allow for more flexible and efficient spatial planning on the local level.

The proposed legislative amendments are expected to have a positive effect on the currently negative trend of sales of construction land and related real estate development. As to future price movements, especially in the residential market, much is thought to depend on further steps taken by BAMC and its newly appointed non-executive member of the board of directors, who has extensive experience in the real estate sector.

*Branko Ilic, Partner, and Tine Misic, Associate,  
ODI Law*

## Serbia

### Spring Cleaning – Belgrade Introduces New General Urban Plan



Looking at the legal aspects of the real estate practice in Serbia, one would be hard-pressed to find a more significant occurrence than the recent introduction of the new General Urban Plan (GUP) for Belgrade. Thirteen years had passed since the last plan of that kind was adopted, giving room for a wealth of updates this time around. Belgrade's mayor has declared the new plan to be a strategic document of great importance and a basis for the city's overall modernization, new investments, and new job positions, all of which are included in the government's short and long-term goals.

The Republic of Serbia also adopted a general pyramidal structure of plans. The plans can, as a consequence, be divided into "zoning plans" (providing the general concept for the development of an area) and "urban plans" (general or detailed plans providing more construction/urban parameters). The GUP, in terms of its subject matter, is a strategic plan providing guidance for the development of the City of Belgrade. This means that its implementation would (for most areas) require preparation of detailed urban plans to provide specific construction/urban parameters to be applied when constructing a facility.

In order to provide a more in-depth look at the GUP itself, as well as its related implications, we should start with what exactly the plan entails. To start with, the GUP defines specific boundaries (including the scope of the construction area), the borders of the general regulation plans for the entire construction area, the general purpose areas that are predominantly planned in the construction area at the level of urban zones, and the general directions and corridors for traffic, energy, water management, utilities, and other key infrastructural elements. Furthermore, the entire scope of the GUP can best be perceived when taking into consideration that the total territory of the City of Belgrade is around 322,000 hectares, with the territory covered by the GUP totaling 77,851 hectares – 57,000 of which are taken up by designated construction areas. City officials claim that the main tangible focus points of the GUP are the relocation of commercial and industrial facilities from the central city zone into suburban areas, the preservation of agricultural land in the peripheral zone, and the retrofitting of transport and utilities infrastructures. In addition, certain areas have

been labeled as being of "special interest" in the GUP and are defined as future large city projects. Examples of these projects include the Sava amphitheater and shipyard, the Belgrade Waterfront project, Ada Huja island, commercial zones along the Batajnica-Dobanovci road, and the military complex in Surcin.



The adoption of the GUP also provides the conditions needed for the realization of a large number of residential, commercial, and industrial complexes. The newly formulated urbanization process in new urban zones is meant to forestall the possibility of illegal construction, while the old factories remaining in the central city area are intended to be transformed into commercial and

other kinds of similar facilities. The GUP also presents the introduction of the "mixed-use" concept, a regulatory innovation that allows for the combination of housing with commercial contents, and thus represents a more flexible utilization of urban land properties. Calling upon the concrete nature of these plans, Belgrade city officials have professed their expectation that the GUP will be a big boost to industry in general, as well as a fundamental aspect of anticipated future investments.

As is the case with any other regulatory change or update, there are a variety of viewpoints one can take – especially depending on one's area of expertise. However, the biggest legislative benefit of the GUP is the much clearer definition of infrastructural elements, meant to make the process of issuing building permits run significantly faster. Still, a word of caution should perhaps be given to the introduction of the aforementioned "mixed-use" concept, wherein the combination of commercial and housing purposes in a single property has, in some cases, turned out to hinder the overall rentability of such objects.

*Dragan Karanovic, Senior Partner, and Ana Lukovic,  
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## Bosnia & Herzegovina

### A New Dawn



With the recent Hague Tribunal judgment, Bosnia and Herzegovina (B&H) can at last draw a line under its turbulent past and look to the future. Political, social, economic, and legal stability are imperative for the country to seek and secure international investment, especially in relation to real estate.

The country's great potential for real estate investment is there for all to see. It enjoys a stable macroeconomic climate, a favorable tax regime, a competitive labor force, and clear prospects for entry into the European Union. There is reform momentum across the region, and B&H has started implementing the reform Agenda prepared with the help of the European Commission and international financial institutions (IFIs).

The real estate market in B&H is very similar to that of other Western Balkan countries: acquisitions and developments occur between multinational companies or foreign individuals who have access to external

financing. Properties are, in general, a much better value for money than in other countries of the region. The cost of living is also much cheaper, and yet access to beautiful cities such as Dubrovnik and Split is very easy.

The most important point to note is that foreign investors have the same rights of ownership in B&H as B&H citizens. However, permission from the government is required if there is no reciprocity between B&H and the investor's country of origin. The reciprocity exists, for example, with the UK, France, Germany, Spain, Russia, Australia, Italy, Norway, and Denmark – which means that investors from these countries, including companies registered in them, can buy property in B&H with no restrictions.

With this in mind, acquiring real estate in Bosnia can be much easier (and therefore less expensive!) than in some other Western Balkan countries.

### Purchasing Freehold in B&H Directly



A brief summary of the steps involved is as follows: (1) The vendor and purchaser enter into a sales contract (this contract can be signed for the purchaser by a representative who is resident in B&H). The contract confirms the agreed price and that both parties are legally obliged to complete and register the transfer; (2) No permission to purchase is required for foreign investors; (3) The purchaser

pays a deposit of 3-5% of the agreed selling price to the vendor; (4) The property is registered with the local court and recorded with the local municipality cadaster (unification of both is now also required, according to a law that has only just been implemented); and (5) The property title registration is split into three: the proprietor; the description of the property; and details of any charges/encumbrances such as mortgages.

As is the case with the whole of the Western Balkans region, ensuring clean title is essential, and working closely with local lawyers is necessary for this to happen.

### Purchasing Real Estate Through a SPV

It is also possible to acquire real estate in B&H via the incorporation of a company. The average cost of acquiring real estate this way is approximately EUR 3000 – which includes public notary fees, certified court interpreter translations, taxes, and all other relevant disbursements (including an initial capital contribution of EUR 1000 which can be withdrawn the day after incorporation). An investor would then have similar duties to those that exist in other countries around the world, such as maintenance of accounts, etc. The incorporation process is relatively quick in B&H and can be done within a three-week time frame.

As one would expect, the property transfer has to be registered with the appropriate local authority and each party to the contract must fulfill the conditions set out in the contract and, most importantly, the purchaser must pay the outstanding balance. There is also a property transfer tax of 5% that is payable on completion. The obligation to pay this tax is generally with the purchaser but can be passed on to the vendor if stipulated and agreed under the contract of sale.

Whether an investor purchases real estate directly or via an SPV, ensuring clean title is paramount, and working closely with local lawyers is

essential for this to happen.

### Looking Ahead

The fact that all of the region's economies – including B&H's – grew last year is encouraging, and commentators expect further growth in most Western Balkans countries in 2016, albeit still at levels below their potential.

The backing of global investors such as the EBRD, which is one of the largest institutional investors in the country, shows that confidence and stability are slowly returning to B&H, which can only help the country to realize its potential.

B&H can attract much more real estate investment. To ensure it does, it is imperative that structural and legal reforms carry on and the country continues to have economic and political stability. Let's hope now that we are able to showcase B&H's many strengths, and let's invite real estate investors the world over to join us in realizing its potential!

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- Germany (Bloomberg, Mergermarket, Thomson Reuters)
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