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Letters to the Editors:

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GUEST EDITORIAL: LAWYERING IN GREECE – OPPORTUNITIES, CHALLENGES, AND THE PATH FORWARD

By Evi Tsilou, Partner, Head of Corporate and M&A, Papapolitis & Papapolitis

Lawyering in Greece presents both significant opportunities and challenges, shaped by the country's rich legal heritage, its evolving economic landscape, and its uniquely strategic geographical position.

The legal profession in Greece is deeply rooted in civil law tradition, offering lawyers a stable and structured legal framework that is well-established and comprehensive. Moreover, Greece's membership in the European Union allows for close alignment with EU law, creating numerous opportunities for lawyers to work on cross-border cases, especially in areas such as M&As, competition law, and finance.

In addition, many Greek law firms are part of international networks, allowing for the exchange of knowledge and resources across borders. This global connectivity benefits lawyers looking to broaden their scope and engage in international transactions.

In recent years, there has also been a growing demand for specialized legal services. As Greece's economy evolves and diversifies, legal professionals with expertise in certain areas are increasingly sought after. This shift has opened up opportunities for lawyers who are able to focus on emerging fields and provide targeted and specialized advice to their clients.

Finally, the legal profession is highly respected in Greece, and lawyers provide thorough legal advice, ensuring that clients' rights and interests are well protected.

However, lawyering in Greece also presents several challenges. One of the most notable issues is the slow and often bureaucratic judicial system (though it is currently under reform with significant improvement). This inefficiency can be frustrating for both lawyers and clients, as the legal process can drag on longer than expected, potentially undermining the effectiveness of legal strategies.

Another disadvantage is the ongoing economic constraints. Although the country has emerged from the recent economic crisis and the pandemic, they had lasting effects on the legal profession. Lawyers were challenged to meet the needs of financially constrained clients.

With large, established firms dominating the market, smaller firms or solo practitioners may find it harder to attract clients and compete for high-value cases. The legal market in Greece is also competitive, with a high number of law graduates entering the profession each year. The oversupply of lawyers can make it challenging for new professionals to establish themselves.

Furthermore, while progress has been made in this direction, the legal profession in Greece still lags behind in terms of technological integration. The slow adoption of legal technology, such as case management software or digital filing systems, can make legal processes more cumbersome and time-consuming than necessary.

Finally, the frequent changes in Greek legislation, particularly in response to EU regulations or domestic political or economic shifts, present a challenge for those attempting to keep up with the evolving landscape. The need to constantly stay updated on legislative reforms and regulatory changes can be demanding and requires ongoing professional development.

Lawyering in Greece is evolving and is currently under a major transformation. I expect this evolution to be multifaceted, with significant changes that will follow the new or changing conditions of the market and the economy and, consequently, the needs of clients, developments in legislation, and technological progress.

In this context, lawyers must be fully aware of new market trends. Recognizing and understanding such trends allows us to anticipate the corresponding new or differentiated needs of our clients and to be ready to adjust our services, thus ensuring that we remain competitive and effective in a constantly changing environment. Similarly, knowledge of legislative changes and reforms is mandatory for the successful completion of transactions without unexpected problems or risks.

I believe that specialization will become even more important as clients will increasingly seek lawyers with excellent knowledge in specific and, perhaps, even new areas. Likewise, the digitization of services through the use of modern tools that will facilitate case management and communication with clients will be crucial.

In conclusion, from my point of view, to succeed in the Greek legal profession, lawyers need to remain adaptable, responsive, and to the point, continuously update their skills, and embrace technological advancements in order to meet the evolving demands of clients and stay competitive in an increasingly globalized legal market.

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ACROSS THE WIRE: DEALS AND CASES

Date	Firms Involved	Deal/Litigation	Deal Value	Country
20-Nov	Ashurst; Brandl Talos; Bryan Cave Leighton Paisner	Brandl Talos, working with Bryan Cave Leighton Paisner, advised Sportradar on the acquisition of the assets of XLMedia PLC's North American business for USD 30 million. Ashurst reportedly advised XLMedia.	USD 30 million	Austria
22-Nov	Cerha Hempel; CMS	CMS advised Goldbach Group on the sale of Goldbach Austria to Azerion. Cerha Hempel advised Azerion.	N/A	Austria
28-Nov	Eisenberger & Herzog	E+H advised Austrian Ski Association's subsidiary Austria Ski Team Handels- und BeteiligungsgesmbH on a joint venture concerning the online platform Skizeit.	N/A	Austria
02-Dec	Freshfields; Wolf Theiss	Wolf Theiss advised Raiffeisen Bank International on the issuance of EUR 650 million fixed to reset rate additional tier 1 notes and on its tender offer for the repurchase of EUR 650 million fixed to reset rate additional tier 1 notes issued in 2017. Freshfields Bruckhaus Derringer reportedly advised the banks.	EUR 650 million	Austria
06-Dec	CMS	CMS advised Florian Prasky on co-founding with Katharina Porenta Wattwise FlexCo.	N/A	Austria
10-Dec	Kirkland & Ellis; Schindler Attorneys	Schindler Attorneys, working with Kirkland & Ellis, advised GTCR on its USD 1.33 billion investment in Tricentis.	USD 1.33 billion	Austria
10-Dec	Cerha Hempel; Pusch & Stoffl	Cerha Hempel advised HeldYn Care on securing a financing package from the Weilburg Family Office. Founded in 2022, HeldYn specializes in providing bespoke care and support services, including nursing, physiotherapy, and occupational therapy. Pusch & Stoffl reportedly advised the Weilburg Family Office.	N/A	Austria
10-Dec	Taylor Wessing	Taylor Wessing advised the Irish Staycity Group on acquiring a 74.9% majority stake in the Felix Group from Denkmalneu.	N/A	Austria
10-Dec	Brandl Talos; Nomos	Brandl Talos advised Springtime Technologies on a growth equity investment from Scottish Equity Partners. Nomos advised Springtime as well.	N/A	Austria
18-Nov	Molnar and Bereczky; Schoenherr	Schoenherr advised Seidel Hungaria Ingatlankezelo on its sale of an industrial asset located in Ajka, Hungary to Muszertechnika Holding. Molnar and Bereczky advised Muszertechnika Holding.	N/A	Austria; Hungary
12-Dec	Advant Beiten; Schoenherr	Schoenherr advised Siemens Energy Holding on the acquisition of a 76% stake in Slovenia-based Gridpulse from Mosdorfer and C&G Skupina Investiranje in Svetovanje. Advant Beiten reportedly advised the sellers.	N/A	Austria; Slovenia
18-Nov	CMS	CMS advised the Czech Skoda Group on winning a second order from Bulgaria's Ministry of Transportation for five four-car electric trains.	EUR 100 million	Bulgaria
25-Nov	Kinstellar	Kinstellar advised Eleven Ventures on an investment in Cloud Office.	N/A	Bulgaria
06-Dec	Clifford Chance; Norton Rose Fulbright; Spasov & Bratanov	Clifford Chance and Spasov & Bratanov advised a consortium of lenders including Santander Bank Polska and the EBRD on a PLN 300 million financing granted by Santander Bank Polska to Benefit Systems. Norton Rose Fulbright advised Benefit Systems.	PLN 300 million	Bulgaria; Czech Republic; Poland
28-Nov	Divjak Topic Bahtijarevic & Krka	Divjak, Topic, Bahtijarevic & Krka advised Digital Realty on the sale of its cloud services business in Croatia to Databox.	N/A	Croatia
09-Dec	Divjak Topic Bahtijarevic & Krka	Divjak, Topic, Bahtijarevic & Krka advised the EBRD on providing Zagrebacka Banka with an uncapped unfunded portfolio guarantee of up to EUR 80 million under the European Union's InvestEU Program.	EUR 100 million	Croatia
19-Nov	CMS; Eversheds Sutherland	CMS, working with Vedder Price, advised Ceska Sporitelna and Ceskoslovenska Obchodni Banka on the financing for the Silon Group, including a sustainability-linked loan, which will be linked to the environmental goals of the entire group. Eversheds Sutherland advised the Silon Group.	N/A	Czech Republic
25-Nov	Havel & Partners; OHBS	Havel & Partners advised Amundi Czech Republic on the sale of a building in Prague's District 1 to Raiffeisen Realitni Fond, managed by Raiffeisen Investicni Spolecnost. OHBS reportedly advised the buyers.	N/A	Czech Republic
26-Nov	Kocian Solc Balastik	Kocian, Solc, Balastik advised Avant Loan Sicav on its first EU growth prospectus.	N/A	Czech Republic
26-Nov	Allen Overy Shearman Sterling; White & Case	White & Case advised Energo-Pro Green Finance on its CZK 3.5 billion retail domestic offering of green notes due 2029 with J&T IB and Capital Markets as the arranger and J&T Banka and UniCredit Bank Czech Republic and Slovakia as the managers. A&O Shearman advised the joint lead managers.	CZK 3.5 billion	Czech Republic
26-Nov	Dunovska & Partners; Kaplan & Nohejl; Rowan Legal	Dunovska & Partners advised Aricoma on a parallel dual acquisition of IT companies TaxLabs from Synteca and Gist from individual sellers. Rowan Legal advised Synteca. Kaplan & Nohejl reportedly advised the sellers of Gist.	N/A	Czech Republic
09-Dec	Havel & Partners; Kocian Solc Balastik	Havel & Partners advised Rohlik Group on the formation of the EUR 120 million Rohlik Growth SICAV investment fund with the majority investor being Tomas Cupr and the remaining shares being held by JTFG Fund i SICAV from the J&T Group. Kocian, Solc, Balastik advised J&T Group.	EUR 120 million	Czech Republic
10-Dec	Glatzova & Co; PRK Partners	PRK Partners advised J&T Banka on a EUR 68 million loan granted to the Julius Meinl Living Group. Glatzova & Co reportedly advised the Julius Meinl Living Group.	EUR 68 million	Czech Republic

Date	Firms Involved	Deal/Litigation	Deal Value	Country
10-Dec	CEE Attorneys	CEE Attorneys advised on the sale of Data Force to Geetoo Group.	N/A	Czech Republic
19-Nov	Baker McKenzie; Nechala and Partners	Nechala and Partners advised Heimo Wallisch on the sale of Easys to BizLink Group. Baker McKenzie reportedly advised BizLink.	N/A	Czech Republic; Slovakia
12-Dec	Kocian Solc Balastik; Zahradnik	Kocian Solc Balastik and Nitschneider & Partners advised the Seyfor Group on its acquisition of NCC from its founders. Zahradnik reportedly advised the sellers.	N/A	Czech Republic; Slovakia
20-Nov	TGS Baltic	TGS Baltic successfully represented the Estonian Transport Administration in two court cases against cleaning and maintenance service provider Krausberg Eesti.	N/A	Estonia
02-Dec	Cobalt	Cobalt advised PSA on its acquisition of 50% of Parnu Sadam shares from Transcom.	N/A	Estonia
10-Dec	Cobalt	Cobalt advised the shareholders of Bauhub on its sale to Admicom's subsidiary Tocoman.	N/A	Estonia
10-Dec	Pohla & Hallmagi; Your Office	Pohla & Hallmagi advised Baltic Maritime Logistics Group on its acquisition of a 50% shareholding in Kaarlaid from Niverto. Your Office law firm advised the sellers.	N/A	Estonia
06-Dec	Gessel; Roedl & Partner; TGS Baltic	TGS Baltic and Gessel advised Estiko-Plastar on its acquisition of Sefko. Roedl & Partner reportedly advised Sefko.	N/A	Estonia; Poland
20-Nov	Koutalidis; Lambadarios Law Firm	Koutalidis advised the Hellenic Gas Transmission System Operator on its issuance of a bond loan of up to EUR 710 million with National Bank of Greece, Piraeus Bank, Alpha Bank, and Eurobank as acting as arrangers, NBG and Piraeus Bank also serving as bondholder coordinators, and Alpha Bank acting as bondholder agent and administrative agent. Lambadarios advised the banks	EUR 810 million	Greece
22-Nov	Potamitis Vekris	Potamitis Vekris advised Eurobank and Eurobank Leasing Single Member on asset management agreements and service level agreements with Cerved Property Services Single Member regarding the management of Eurobank Group's real estate portfolio.	N/A	Greece
25-Nov	Bernitsas	Bernitsas advised Piraeus Financial Holdings on a liability management exercise consisting of an invitation made to holders of its outstanding EUR 500 million fixed-rate reset tier 2 notes due February 2030 to tender their notes for purchase by PFH for cash and on the issuance and offering to international and domestic institutional investors through a bookbuilding process of EUR 650 million tier 2 fixed rate reset notes due September 2035, as well as on the listing of the new notes on the Euro MTF market of the Luxembourg Stock Exchange.	N/A	Greece
28-Nov	Bernitsas	Bernitsas advised China State Grid on its acquisition of a 20% stake in Greece's Independent Power Transmission Operator's subsidiary Ariadne Interconnection which is responsible for implementing the electricity interconnection between Attica and Crete.	N/A	Greece
11-Dec	Zepos & Yannopoulos	Zepos & Yannopoulos advised Pradera on the sale of its shares in Trivillage Developments Greece Cinema and Entertainment Enterprises Single Member, the owner of the Village Shopping & More center in Renti, to Premia Properties Group entity Renti to Go Single Member.	N/A	Greece
11-Dec	Lambadarios Law Firm; Marinos Petroulias & Partners	Lambadarios advised Piraeus Bank on the EUR 620 million financing of a Terna Energy pumped hydro storage station in the municipality of Amfilochia, Western Greece. Marinos | Petroulias & Partners reportedly advised Terna Energy.	EUR 620 million	Greece
12-Dec	Bernitsas	Bernitsas Law advised Thanos Hotels & Resorts on a EUR 107 million refinancing package from Piraeus Bank.	EUR 107 million	Greece
12-Dec	Koutalidis	Koutalidis advised a consortium comprising Fraport Frankfurt Airport Services Worldwide, Delta Airport Investments, and Pileas on a 40-year concession for Kalamata Airport Captain Vassilis Konstantakopoulos via a tender conducted by Growthfund, the National Fund of Greece.	EUR 71.2 million	Greece
19-Nov	Bird & Bird; RDJ; Sheppard, Mullin, Richter & Hampton; Tilleke & Gibbins	Bird & Bird advised Iron Mountain on its acquisition of Wisetek.	N/A	Hungary
22-Nov	Lakatos, Koves & Partners	Lakatos, Koves & Partners advised Green Power Investment on the sale of two Hungarian photovoltaic projects with a combined capacity of 7.7 megawatts to an unidentified Austrian investor.	N/A	Hungary
10-Dec	DLA Piper; Oppenheim	Oppenheim advised Generali Biztosito on its sale of its minority stake in Fundamenta Lakaskassza to MBH Bank. DLA Piper advised MBH Bank.	N/A	Hungary
10-Dec	Freshfields; Hogan Lovells; Oppenheim	Hogan Lovells advised Hungarian oil and gas company MOL on the sale of its 49% stake in ENEOS MOL Synthetic Rubber to Japan-based ENEOS Materials Corporation. Oppenheim, working with Freshfields Bruckhaus Deringer, advised ENEOS Materials Corporation.	N/A	Hungary
11-Dec	Lakatos, Koves & Partners	Lakatos, Koves & Partners advised Ceva-Phylaxia on establishing a new vaccine production facility in Monor, Hungary.	N/A	Hungary
22-Nov	Schoenherr; Szabo Kelemen & Partners Andersen Attorneys	Schoenherr advised Bank Gospodarstwa Krajowego on a EUR 40 million financing agreement for the development and long-term investment of a Puro Hotel in Budapest. Szabo, Kelemen & Partners Andersen advised Puro.	EUR 40 million	Hungary; Poland
06-Dec	Dentons; Greenberg Traurig	Dentons advised Globe Trade Centre on the acquisition of a real estate portfolio from the real estate investor Peach Property Group. GTC acquired the portfolio in a consortium along with Luxembourg Finance House. Greenberg Traurig's Germany office reportedly advised Peach Property Group.	N/A	Hungary; Poland
06-Dec	Deloitte Legal; Schoenherr	Deloitte Legal advised PortfoLion Capital Partners on their investment in 4FIZJO. Schoenherr advised 4FIZJO.	N/A	Hungary; Poland
26-Nov	CMS; Dentons	Dentons advised EnergoNuclear on an engineering, procurement, and construction management contract for the advancement of the Cernavoda Nuclear Power Plant Units in Romania.	EUR 3.2 billion	Hungary; Poland; Romania

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18-Nov	Kalo & Associates	Kalo & Associates advised Starlink on establishing its business in Kosovo.	N/A	Kosovo
21-Nov	ICL Legal; RPHS Law	RPHS Law advised Swinto on the sale of the majority of its shares to Virtus Invesco Partners. ICL Legal advised the buyers.	N/A	Kosovo
18-Nov	Cobalt; Dentons; Linklaters; TGS Baltic	TGS Baltic, working with Linklaters, advised sole bookrunner Citigroup Global Markets Europe on the tap issue of EUR 40 million 14.50% senior secured bonds by the Latvian national airline AirBaltic. Cobalt, working with Dentons, advised AirBaltic.	EUR 40 million	Latvia
22-Nov	Cobalt; Sorainen	Cobalt advised Latvenergo on its acquisition of DSE Aizpute Solar from developer Danish Sun Energy ApS. Sorainen reportedly advised the sellers.	N/A	Latvia
26-Nov	Cobalt; Eversheds Sutherland	Eversheds Sutherland advised Everfield on its acquisition of Meditec AB and Medicloud SIA. Cobalt advised the sellers.	N/A	Latvia
06-Dec	Sorainen; Walless	Walless advised Baltic Horizon Fund on an office lease agreement with the International School of Riga. Sorainen reportedly advised the International School of Riga.	N/A	Latvia
09-Dec	TGS Baltic	TGS Baltic advised Latvian agricultural cooperative LPKS Latraps on the EUR 8 million issuance and listing of bonds on the Nasdaq Riga First North alternative market with Signet Bank as the arranger.	N/A	Latvia
12-Dec	Azanda & Associates; Cobalt	Cobalt advised Decathlon on a new lease agreement with Spice Home shopping center in Riga, Latvia. Azanda & Associates reportedly advised Spice Home.	N/A	Latvia
19-Nov	Cobalt; TGS Baltic	TGS Baltic advised Simpact Ventures on its investment in Ligence as part of a round that also saw the participation of Coinvest Capital, the European Innovation Council, Estonian venture capital firm Lemonade Stand, the NGL business angel syndicate, and private investor Rita Sakus. Cobalt advised the European Innovation Council.	N/A	Lithuania
22-Nov	Ellex (Valiunas); Kirkland & Ellis; Sorainen; Stikeman Elliott	Elex, working with Kirkland & Ellis, advised Advent International on its acquisition of Nuvei Corporation. Stikeman Elliott and Sorainen reportedly advised Nuvei.	USD 6.3 billion	Lithuania
22-Nov	Noor; TGS Baltic	TGS Baltic advised Superhero Capital on leading a EUR 2.5 million investment round for Cyber Upgrade with Specialist VC, Firstpick, NGL Ventures, and angel investors Marios S. Kalochoritis and Sergei Anikin also participating. Noor reportedly advised on the round as well.	EUR 2.5 million	Lithuania
28-Nov	Walless	Walless successfully represented Voltas in a EUR 1.7 million business interruption insurance case in Lithuania.	EUR 1.7 million	Lithuania
10-Dec	TGS Baltic	TGS Baltic advised Sun Investment Group on a EUR 8 million bond issuance with an annual interest rate of 11.5%, payable semi-annually.	EUR 8 million	Lithuania
11-Dec	Ellex (Valiunas)	Ellex offered pro bono representation in a same-sex parenthood case before the national courts in Lithuania, resulting in the first-ever recognition of same-sex parents.	N/A	Lithuania
12-Dec	RTPR; TGS Baltic	TGS Baltic advised INVL Baltic Sea Growth Fund on its acquisition of Pehart Group in Romania from Abris Capital Partners. RTPR advised Abris Capital Partners.	N/A	Lithuania
06-Dec	Gladei & Partners	Gladei & Partners advised the Trans-Oil Group on refinancing its USD 500 million, senior secured Eurobond due 2026.	USD 500 million	Moldova
27-Nov	JPM & Partners	JPM Partners advised Presto Pay on obtaining a payment institution license from the Central Bank of Montenegro.	N/A	Montenegro
06-Dec	Harrisons	Harrisons, working with Bird & Bird, advised the EBRD on its EUR 10 million loan to Hipotekarna Banka Podgorica, secured with EU Supranational Bonds.	EUR 10 million	Montenegro
18-Nov	Clifford Chance	Clifford Chance advised mBank on R.Power's issuance of three series of secured green bonds with a total nominal value of PLN 530 million.	PLN 530 million	Poland
19-Nov	GWW Legal; MFW Fialek	MFW Fialek advised investor and business angel Aniela Hejnowska and a group of investors on an investment agreement for a joint venture and the acquisition of 90% of the shares in Future Processing Healthcare, now known as Graylight Imaging. GWW reportedly advised Future Processing as the seller.	N/A	Poland
19-Nov	JDP	JDP advised the consortium of Gulermak and Budimex whose bid was selected in a tender for the construction of the Jawornik–Lutcza section of the S19 expressway.	PLN 2 billion	Poland
19-Nov	Dentons; Solivan Pontes	Dentons advised PKO Bank Polski on the financing granted to VSB Group's subsidiary VSB Polska for its investment in the 41.6-megawatt Raciborz onshore wind park. Solivan advised VSB.	N/A	Poland
20-Nov	SSK&W	SSK&W advised MEP Solutions on its investment in Poland.	N/A	Poland
20-Nov	Paul Hastings; Proskauer Rose; Schoenherr	Schoenherr, working with Proskauer Rose and Paul Hastings, advised Luminator Technology Group and Wingspire Capital on USD 40 million term and revolving loans granted to LTG.	USD 40 million	Poland
20-Nov	Rymarz Zdort Maruta	Rymarz Zdort Maruta successfully represented DESA Unicum before the Internet Domain Arbitration Court at the Polish Chamber of Information Technology and Telecommunications in a case brought by Desa Dziela Sztuki i Antyki concerning the infringement of rights as a result of an agreement for the maintenance of the desa.pl domain name.	N/A	Poland
22-Nov	Baker Botts; Wardynski & Partners	Wardynski & Partners, working with Baker Botts, advised Modern Times Group on its acquisition of Plarium Global.	N/A	Poland
22-Nov	Clifford Chance; Rymarz Zdort Maruta	Rymarz Zdort Maruta advised Vantage on securing EUR 100 million in financing from the European Bank for Reconstruction and Development for the construction and operation of a portfolio of rental flats. Clifford Chance advised the EBRD.	EUR 100 million	Poland

Date	Firms Involved	Deal/Litigation	Deal Value	Country
25-Nov	Lawmore; PwC Legal; SSK&W	SSK&W advised bValue on its partnership with Benefit Systems for the acquisition of a majority stake in Wellbee. Lawmore advised Wellbee. PwC Legal advised Benefit Systems.	N/A	Poland
26-Nov	PwC Legal; Sommerrey & Partners	PwC Legal advised Benefit Systems on its acquisition of MyOrganiq which runs eight Organic Fitness clubs in western Poland. Sommerrey & Partners advised the sellers.	N/A	Poland
26-Nov	Cytowski & Partners; Goodwin Procter	Cytowski & Partners advises Wordware on its USD 30 million series seed with Spark Capital, Felicis, and Y Combinator. Goodwin Procter reportedly advised Spark Capital and Felicis	USD 30 million	Poland
28-Nov	Dentons; Greenberg Traurig; Linklaters; Rymarz Zdort Maruta	Greenberg Traurig advised Eastnine on its acquisition of the Warsaw Unit office building from Ghelamco for EUR 280 million. Dentons and Rymarz Zdort Maruta advised Ghelamco. Linklaters advised Signal Capital Partners on its partnership with Ghelamco related to, among others, the sale of the Warsaw Unit.	EUR 280 million	Poland
28-Nov	Dentons	Dentons advised Helaba Landesbank Hessen-Thueringen, Pbb Deutsche Pfandbriefbank, and Berlin Hyp on the EUR 180 million loan extended to Immofinanz to replace the previous financing of the Myhive Warsaw Spire project.	EUR 180 million	Poland
02-Dec	Filip & Company; Greenberg Traurig; Hogan Lovells	Greenberg Traurig and Filip & Company advised Polish chemical group Qemetica on its acquisition of PPG's precipitated silica business for approximately PLN 1.2 billion (USD 310 million). Hogan Lovells advised PPG.	PLN 1.2 billion	Poland
02-Dec	CK Legal	CK Legal Chabasiewicz Kowalska advised Kruk on its latest issuance of series AP2 bonds.	PLN 125 million	Poland
02-Dec	Norton Rose Fulbright; Rymarz Zdort Maruta	Norton Rose Fulbright advised Polski Fundusz Rozwoju on a PLN 82.5 million in long-term financing to fund and refinance the construction of photovoltaic plants sponsored by Projekt Solartechnik. Rymarz Zdort Maruta advised Projekt Solartechnik.	PLN 82.5 million	Poland
04-Dec	Greenberg Traurig; Penteris	Greenberg Traurig advised Echo Investment on the sale of the React office building in Lodz to Estonian investor Summus Capital. Penteris advised Summus Capital.	N/A	Poland
06-Dec	Gide Loyrette Nouel; White & Case	Gide advised Qemetica on a PLN 3.4 billion loan agreement with a consortium of ten Polish and international banks. White & Case reportedly advised the banks.	PLN 3.4 billion	Poland
06-Dec	CMS; WKB Wiercinski Kwiecinski Baehr	CMS advised Solterra Brand Services on a framework agreement with Pacific Green as well as on a separate acquisition of an energy storage system. WKB reportedly advised the Pacific Green group.	N/A	Poland
09-Dec	Dentons; Linklaters	Dentons advised Zabka Property Fund on the sale and leaseback transaction involving a portfolio of 123 Zabka convenience stores in Poland to W.P. Carey. Linklaters advised W.P. Carey.	N/A	Poland
10-Dec	Balicki Czekanski Gryglewski Lewczuk; Soltysinski Kawecki & Szlezak	SK&S advised Euricom on the acquisition of Sonko from OSHEE Polska. BCGL advised OSHEE.	N/A	Poland
10-Dec	Forton Legal; Norton Rose Fulbright	Norton Rose Fulbright advised Abris Capital Partners on the sale of 100% of the shares in Dot2Dot to Van Genechten Packaging. Forton Legal advised the buyers.	N/A	Poland
10-Dec	WKB Wiercinski Kwiecinski Baehr	WKB Lawyers advised Lisner Holding on obtaining the competition clearance for the acquisition of Greenwich Investments, a company controlling the Graal Group.	N/A	Poland
10-Dec	Moskwa Jarmul Haladyj i Wspolnicy	MJH Moskwa, Jarmul, Haladyj i Partnerzy advised Yuniversal Development on a bond issuance totaling PLN 15 million.	PLN 15 million	Poland
10-Dec	Konieczny Wierzbicki; Triloka	KWKR advised NCBR Investment Fund on its PLN 6 million co-investment in Imagene.me alongside Aban. VC fund. Triloka reportedly advised Aban.VC.	PLN 6 million	Poland
10-Dec	CMS; Gide Loyrette Nouel	Gide Warsaw advised Frey on obtaining a EUR 50 million loan from BNP Paribas Bank Polska for refinancing the Matarnia Retail Park in Gdansk, Poland. CMS advised BNP Paribas.	EUR 50 million	Poland
10-Dec	Gessel; Greenberg Traurig	Greenberg Traurig advised the shareholders of Shoper, including Value4Capital, on the sale of a controlling stake in Shoper to Cyber_Folks. Gessel advised Cyber_Folks.	N/A	Poland
11-Dec	DLA Piper	DLA Piper advised the City of Warsaw on a PLN 1.05 billion loan from the European Investment Bank to finance the sustainable development of urban infrastructure.	PLN 1.05 billion	Poland
11-Dec	Linklaters	Linklaters advised NEPI Rockcastle on its EUR 405 million acquisition of Silesia City Center in Katowice, Poland.	EUR 405 million	Poland
12-Dec	Allen Overy Shearman Sterling	A&O Shearman advised the European Investment Bank on its successful subscription for a total of EUR 2.236 billion in five tranches of bonds issued by Bank Gospodarstwa Krajowego.	EUR 2.236 billion	Poland
22-Nov	Baker McKenzie; Baker McKenzie (Esin Attorney Partnership); Caliskan Okkan Toker; Zepos & Yannopoulos	Baker McKenzie and its Turkish affiliate Esin Attorney Partnership advised DFDS on its acquisition of Ekol Transport and the international transport network connecting Turkiye and Europe from Ekol Logistics and individual sellers led by founder Ahmet Musul. Caliskan Okkan Toker reportedly advised the sellers. Zepos & Yannopoulos also advised DFDS.	N/A	Poland; Turkiye
25-Nov	Deloitte Legal (Reff & Associates); Filip & Company	Filip & Company and Deloitte Legal-affiliated Reff & Asociatii successfully represented BT Leasing Transilvania IFN before the Bucharest Court of Appeal in a first-instance decision that annulled a Competition Council Decision imposing fines on 16 companies and the Financial Services Association following an investigation into the financial leasing market.	RON 4.3 million	Romania
27-Nov	RTPR	RTPR advised Autonom Services on a bond issuance with an aggregate nominal value of EUR 30 million and a maturity of five years, with a fixed annual interest rate of 6.14%.	EUR 30 million	Romania
04-Dec	Deloitte Legal (Reff & Associates)	Reff & Associates | Deloitte Legal advised Damen Galati Shipyard on EUR 25 million in financing from Exim Banca Romaneasca.	EUR 25 million	Romania

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09-Dec	Schoenherr	Schoenherr advised Enery on signing an 11-year virtual power purchase agreement with Nokian Tyres for the supply of zero CO2 emission energy to Nokian Tyres' new passenger car tire factory in Oradea, Romania.	N/A	Romania
10-Dec	Clifford Chance; Dentons	Dentons advised CEC Bank on a EUR 300 million issuance of eligible senior non-preferential securities, intended to be classified as MREL-eligible instruments. Clifford Chance advised joint bookrunners and co-arrangers Erste Group Bank and ING Bank and co-manager BT Capital Partners.	EUR 300 million	Romania
12-Dec	Tuca Zbarcea & Asociatii; Wolf Theiss	Wolf Theiss advised Banca Comerciala Romana on a EUR 29.5 million credit facility granted to Unirii View. Tuca, Zbarcea & Associates advised Unirii View.	EUR 29.5 million	Romania
12-Dec	Kinstellar; Osborne Clarke	Kinstellar, working with Osborne Clarke, advised Mpac Group on its EUR 56 million acquisition of the CSi Palletising group.	EUR 56 million	Romania
10-Dec	Schoenherr	Schoenherr advised Otokar on a USD 1 billion public contract with Romanian state company Romtehnica, an entity of the Ministry of National Defence.	USD 1 billion	Romania; Turkiye
10-Dec	Baklaja Igric Tintor; NKO Partners	NKO Partners advised Dr Max on its acquisition of the Ivancic i Sin pharmacy chain in Serbia from Bratislav Ivancic and Nada Milovanovic Ivancic. BIT Law advised the sellers.	N/A	Serbia
19-Nov	CCAO	CCAO advised Akbank on the financing of solar power plants operated by Sunar Misir.	N/A	Turkiye
20-Nov	Paksoy	Paksoy, working with Milbank, advised General Atlantic on its USD 500 million lead investment in Insider's series E funding round.	EUR 500 million	Turkiye
22-Nov	CCAO	CCAO advised Turkiye Sinai Kalkinma Bankasi on financing facilities to Metafor Yenilenebilir Enerji and Knot Enerji for their respective solar and hybrid solar energy power plant projects.	N/A	Turkiye
28-Nov	Acar & Ergonen; Sadik & Capan	Sadik & Capan advised Koc Holding on its acquisition of 65% shares in Stembio. Acar Ergonen advised the seller, Ibrahim Ozsu.	N/A	Turkiye
02-Dec	White & Case (GKC Partners)	White & Case's Turkish affiliate GKC Partners advised Esas Holding on the placement of approximately 19.2 million ordinary shares in Pegasus Airlines to two international institutional investors and an international financial investor residing outside of Turkiye.	N/A	Turkiye
04-Dec	Norton Rose Fulbright (Pekin Bayar Mizrahi)	Norton Rose Fulbright's Turkish affiliate Pekin Bayar Mizrahi advised Renewable Energy Systems Limited and its Turkish subsidiary RES Anatolia Holding on the sale of Esref Enerji Uretim to Metgun Enerji. Sole practitioner Sinem Demiray Gunesol advised Metgun Enerji.	N/A	Turkiye
04-Dec	Unsal Avuktalik Ortakligi; White & Case (GKC Partners)	White & Case's Turkish affiliate law firm GKC Partners advised joint bookrunners Citi Global Markets Limited and Morgan Stanley on Gdz Elektrik's Rule 144A/Reg S USD 400 million issuance. Unsal Attorney Partnership advised Gdz Elektrik.	USD 400 million	Turkiye
10-Dec	Allen Overy Shearman Sterling (Gedik Eraksoy); Allen Overy Shearman Sterling	A&O Shearman and its Turkish affiliate law firm Gedik & Eraksoy advised the joint bookrunners of Garanti BVA's USD 750 million fixed rate resettable tier 2 notes and the dealer managers on the tender for the USD 750 million nominal value of the tier 2 bond issued in 2017.	USD 700 million	Turkiye
12-Dec	Clifford Chance; White & Case (GKC Partners)	White & Case's Turkish affiliate law firm GKC Partners advised Turkiye Is Bankasi and TSKB on EUR 342 million financing for the Ankara Esenboga airport. Clifford Chance advised TAV Airports as the borrower.	EUR 342 million	Turkiye
12-Dec	Herguner Bilgen Ucer; Kolcuoglu Demirkan Kocakli	Kolcuoglu Demirkan Kocakli advised Volt Motor and its individual shareholders on the sale of the company to WEG. Herguner advised WEG.	N/A	Turkiye
28-Nov	Hogan Lovells; Mayer Brown; Redcliffe Partners; Sayenko Kharenko	Sayenko Kharenko, working with Hogan Lovells, advised the International Finance Corporation on two risk-sharing facilities for Raiffeisen Bank Ukraine totaling approximately USD 210 million equivalent, one of which IFC cooperated on with the US International Development Finance Corporation. Redcliffe Partners and Mayer Brown reportedly advised the DFC.	USD 210 million	Ukraine
10-Dec	Sayenko Kharenko	Sayenko Kharenko advised PJSC Ukrnafta on its acquisition of a 51% stake in Alliance Holding, which owns a network of 118 Shell-branded gas stations across Ukraine.	N/A	Ukraine
11-Dec	Chrysostomides; Clifford Chance; CMS; George Yiangou; Redcliffe Partners	Redcliffe Partners, working with Clifford Chance and George Yiangou, advised the European Bank for Reconstruction and Development and the International Finance Corporation on the USD 435 million financing for the merger of Lifecell Group and the Datagroup-Volia Group (reported on by [CEE Legal Matters on September 17, 2024](https://ceelegalmatters.com/ukraine/27443-cms-avellum-and-kinstellar-advise-on-njj-holding-and-horizon-capital-led-consortium-s-acquisition-of-datagroup-volia-and-lifecell)). CMS, working with Chrysostomides, advised the borrowers.	USD 435 million	Ukraine
11-Dec	Sayenko Kharenko	Sayenko Kharenko advised the EBRD on a EUR 55 million financing package to support the city of Kyiv.	EUR 55 million	Ukraine

Deals and Cases

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

Did We Miss Something?

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

Czech Republic, Hungary, Romania, Slovakia: Rowan Legal, Erdos Partners, Biris Goran, and HKV Announce Horizons Alliance

Former NGL Symbio alliance founding members Rowan Legal, Erdos Partners, Biris Goran, and HKV have announced a new set-up under the Horizons Alliance brand.

The four firms covering the Czech Republic, Hungary, Romania, and Slovakia originally came together in 2020 under the NGL Symbio alliance which also included NGL Legal in Poland (as reported by CEE Legal Matters on September 10, 2020).

Horizons Alliance describes itself as "a network of four independent law firms [with the] aim to assure the seamless collaboration of four offices to serve their regional clients in Central and Eastern Europe (CEE) at the highest quality level." It added: "Foreign investors require consistent and coordinated resolutions for the issues and transactions taking place in the CEE, to help build trust and ensure sustainable investments, reduce regulatory uncertainties, and foster a transparent environment that supports long-term economic growth and competitiveness."

Slovenia: Peterka & Partners Expands to Slovenia

On December 2, the Slovenian office of Peterka & Partners opened its doors in Ljubljana with Senior Associate Pia Florjancic Pozeg Vancas leading the new office.

"Our expansion into Slovenia is an important step for us as we continue to grow and enhance our presence in the CEE region," commented Founder and Managing Partner Ondrej Peterka. "We are committed to providing our clients with high-quality legal services across the entire CEE region and we believe that our new office in Ljubljana will help us achieve this goal."

Before joining Peterka & Partners to helm the Ljubljana office, Florjancic Pozeg Vancas was with Bohl as a Junior Associate between 2018 and 2021, a Candidate Attorney at Law between 2021 and 2023, and an Attorney at Law between 2023 and 2024.

"I am thrilled to be leading the Peterka & Partners new office in Ljubljana," Florjancic Pozeg Vancas added. "We are excited to be able to increase the regional synergies within the Peterka & Partners group and to provide our clients with the best possible legal advice and solutions."

The Ljubljana office of Peterka & Partners comes a year and a half after the firm opened up for business in Zagreb, in 2023 (as reported by CEE Legal Matters on April 14, 2023).

Czech Republic: Kacerova Mekota Advokati Opens Doors in Prague

Former Rowan Legal Lawyers Lucie Kacerova and Jan Mekota have joined forces to establish Kacerova Mekota Advokati.

Kacerova specializes in litigation, insolvency law, and contractual relations. Before setting up Kacerova Mekota Advokati, she was with Rowan Legal as an Associate between 2019 and 2021 and Senior Associate between 2021 and 2024. Earlier, she was with Kocian, Solc, Balastik as a Paralegal between 2013 and 2014, Junior Associate between 2014 and 2018, and Associate between 2018 and 2019.

Mekota focuses primarily on competition law and public procurement. Before joining Kacerova to set up their office, he was with Rowan Legal as a Junior Associate between 2013 and 2017, Associate between 2017 and 2022, and Partner between 2022 and 2024.

"The decision to establish our own law firm was a logical step for us," commented Kacerova. "We want to devote ourselves fully to our clients, and to be able to do things in our own way."

Moldova: Dolea & Co Announces Collaboration with Vizdoaga Law Office

Vizdoaga Law Office and Dolea & Co have announced a collaboration between the two firms.

According to Dolea & Co, "with offices in New York, USA and Chisinau, Moldova, the collaboration between the two law firms aims to support individuals and companies who need legal assistance in the areas of international business law, arbitration and litigation, investment-based immigration, estate planning, mergers and acquisitions, and corporate law."

Vizdoaga Law Office is a New York-based law firm established in 2021 and helmed by Founding Partner Maria Vizdoaga. Before setting up Vizdoaga Law Office, Vizdoaga was a Legal Fellow with PILnet: The Global Network for Public Interest Law between 2019 and 2020.

PARTNER MOVES

Date	Name	Practice(s)	Moving from	Moving to	Country
4-Dec	Jana Chwaszcz	Corporate/M&A	A&O Shearman	White & Case	Czech Republic
12-Dec	Lucie Kacerova	Litigation/Disputes; Insolvency/Restructuring	Rowan Legal	Kacerova Mekota Advokati	Czech Republic
12-Dec	Jan Mekota	Competition; Infrastructure/PPP/Public Procurement	Rowan Legal	Kacerova Mekota Advokati	Czech Republic
22-Nov	Arina Stivrina	TMT/IP	Evo Legal	Walless	Latvia
4-Dec	Magdalena Szwarc-Brozyna	Real Estate	Dentons	Clyde & Co	Poland
4-Dec	Lukasz Dynysiuk	Corporate/M&A	DLA Piper	Rymarz Zdort Maruta	Poland
10-Dec	Katarzyna Jakubiak	Banking/Finance	Deloitte Legal	DLA Piper	Poland
10-Dec	Agnieszka Skorupinska	ESG; Energy/Natural Resources	Rymarz Zdort Maruta	Baker McKenzie	Poland
11-Dec	Pawel Zelich	Corporate/M&A	Noerr Poland	DZP	Poland
26-Nov	Martin Jurecko	Real Estate	MCL Law Firm	CMS	Slovakia
10-Dec	Sinan Diniz	Competition	Esin Attorney Partnership	KST Law	Turkiye

PARTNER APPOINTMENTS

Date	Name	Practice(s)	Firm	Country
04-Dec	Tadeas Matys	Banking/Finance	White & Case	Czech Republic
04-Dec	Magda Olysarova	Competition	White & Case	Czech Republic
04-Dec	Jan Vacula	Capital Markets	White & Case	Czech Republic
04-Dec	Karolina Brzeska	Litigation/Disputes	White & Case	Poland
26-Nov	Mihai Iorga	Insolvency/Restructuring; Labor	Dragne & Asociatii	Romania

THE BUZZ

In The Buzz we check in on experts on the legal industry across CEE for updates about developments of significance. Because the interviews are carried out and published on the CEE Legal Matters website on a rolling basis, we've marked the dates on which the interviews were originally published.

Serbia's Big Money Moves: A Buzz Interview with Nikola Sugaris of ZSP Advokati

By Teona Gelashvili (December 9, 2024)

Serbia's capital markets are maturing, with bond issuances expected in 2025 and renewed interest in alternative investment funds following reduced thresholds, according to ZSP Advokati Partner Nikola Sugaris.

"The Serbian capital markets have seen some notable activity recently," Sugaris highlights. "A key development is the ongoing capital markets project, driven by the Serbian government and the World Bank, which aims to diversify the country's creditor base. After months of preparatory work, including selecting advisors and setting up terms of reference, the project is moving into a more advanced stage. We're now looking at concrete steps toward bond issuances, which are expected to debut in the first half of 2025." Due diligence processes for these issuances should already be underway, he adds, "signaling that stakeholders are firmly focused on execution."

On a related note, Sugaris draws attention to alternative investment funds, "which have struggled to gain traction since their introduction under the 2019 legislative framework, are seeing renewed interest. Fewer than 10 funds and just 12 licensed management companies currently operate in Serbia. However, recent legislative changes have reduced investment thresholds for individuals investing in private funds, making these funds more accessible." Sugaris notes that "for semi-professional investors, the threshold has dropped from EUR 50,000 to EUR 5,000, while for private equity investments, the minimum has fallen from EUR 250,000 to EUR 50,000. These changes aim to democratize investment opportunities and encourage broader participation." Although no new funds have been launched yet, he says that "the market is starting to respond, with a growing awareness among investors and a shift away from traditional real estate-focused investments. The hope is that this renewed interest will eventually drive growth in the sector, despite the regulatory challenges that remain."

In the banking and finance space, Sugaris says that "activity picked up in the latter part of the year after a quieter first half. Borrowers are rushing to finalize financing deals before year-end, spurred by the ECB's recent reduction in interest rates and the prospect of further reductions. This uptick includes various types of financing, but project financing appears particularly prominent."

From a legislative standpoint, "alongside the reduced thresholds for alternative investment funds, there have been amendments to the Energy Act," Sugaris says. "These changes, enacted in November, introduce new concepts such as licensing aggregators to facilitate energy purchases for SMEs and promoting active participation in the energy market, particularly in renewables. The amendments seem to formalize trends that were already emerging, aligning the law with market realities." Looking ahead, "the renewables sector remains a key focus, with hopes for increased M&A activity as the market matures," he continues.

Finally, "within the legal services market, we've noticed a shift in dynamics," Sugaris points out. "The trend of partners leaving mid-sized or large firms to start their own practices seems to be slowing. Instead, there's a growing sense that the market may see more consolidation, potentially through mergers. On the talent front, competition is heating up, prompting firms to rethink traditional mentorship models and consider how advancements in AI might reshape the profession." Overall, "the legal market feels mature, with firms now focusing on marginal improvements and navigating an increasingly competitive landscape," he concludes.

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A Challenging Year in Hungary: A Buzz Interview with Csaba Polgar of Pontes Budapest

By Teona Gelashvili (December 6, 2024)

Hungary's economy and legal market have faced a tough year, shaped by political tensions, economic challenges, and global uncertainty, according to Pontes Budapest Partner Csaba Polgar, and from delayed investments to unpredictable regulations, the market has been navigating a challenging and uncertain landscape.

The market in Hungary "is undoubtedly experiencing a general slowdown, driven by a range of economic and political factors," Polgar notes. "This turbulence is felt across industries, with Hungary's macroeconomic situation reflecting these challenges. While Hungary has technically avoided a recession, the economy appears to be stumbling." Key factors according to him, "include delays in the release of EU funds due to political issues and geopolitical tensions, such as the war in Ukraine and uncertainty surrounding the US elections. Many projects are currently on hold, awaiting clarity on these developments."

Polgar adds that Hungary's unique position in Europe adds another layer of complexity. "Hungary is the only EU country that has openly supported Trump, placing significant hope on the US elections as a potential turning point for FDI and broader economic prospects. The upcoming state budget submission is tied closely to this expectation, with many believing next year could bring a better economic outlook. However, whether these hopes are well-placed remains to be seen."

As a result, Polgar says that for the legal market, the year has been challenging. "Law firms that do not traditionally engage in public sector work are experiencing less activity. Large firms with state-linked clients or a focus on M&A transactions saw better activity in the first half of the year, but this has since been dampened by state budget cuts," he says, adding that "as a result, many firms are focusing on maintaining their know-how and client relationships, waiting for better times."

Specific sectors are facing additional hurdles, according to Polgar. "Hungary's FDI screening mechanism, introduced in 2022 during the pandemic, continues to create significant uncertainty for foreign investors," he points out. "This unpredictability is particularly evident in sectors like renewables, where state pre-emption rights and lengthy approval processes discourage investment. Combined with high financing costs and challenging market conditions, only highly profitable projects are moving forward."

Additionally, "private equity and venture capital activity have also seen certain declines in Hungary and across Europe, with 2024 figures lagging behind previous years," Polgar notes. "A significant improvement is needed to restore pre-crisis levels of activity."

One potentially positive development, according to Polgar, is "Hungary's new proposed scheme for outbound investments, focusing on regional projects, particularly in the Balkans. Historically, Hungary has been a recipient of investments from CEE countries like the Czech Republic and Poland. This new government initiative, which involves capital injections and subsidized loans, aims to encourage Hungarian companies to expand abroad. However, only a small number of firms are currently capable of taking advantage of this program, and it remains to be seen whether it will deliver tangible results or merely reflect wishful thinking."

Lastly, "the unpredictable nature of Hungary's legislative process and broader rule-of-law concerns continue to weigh heavily on investor confidence," Polgar points out. "The political risks associated with these issues add to the uncertainty, further complicating an already challenging environment."

This unpredictability is particularly evident in sectors like renewables, where state pre-emption rights and lengthy approval processes discourage investment.

Slovakia Trying To Consolidate Its Books: A Buzz Interview with Sona Hankova of CMS

By Andrija Djonovic (December 10, 2024)

A tax reform, updated labor costs, and ESG compliance challenges are some of the main challenges facing businesses in Slovakia at the moment, according to CMS Partner Sona Hankova.

"The new consolidation package for public finances, which was adopted in October 2024, introduces a range of measures designed to improve the state of public finances," Hankova begins. She reports that the tax legislation will see significant changes. "Perhaps the most notable is the new "financial transaction tax," set to begin in April 2025," she explains. "It applies broadly to businesses, including individual entrepreneurs, and covers financial transactions resulting in debiting the entrepreneur's bank account such as payments of invoices, loan installments, and use of payment cards. Law provides for further rules and exceptions."

Hankova reports that "companies are busy recalculating costs and exploring ways to optimize payments. For some, this could mean significant additional expenses annually. There's also concern about the potential resurgence of cash payments to optimize these taxes." Beyond that, Hankova says that there's widespread anxiety in the business community about how this will affect their operations, particularly given that "it's essentially an additional tax on the use of funds which have been already taxed by income tax."

In addition to these changes, there was also a major shift in VAT rates. "The basic VAT rate is rising from 20% to 23%. Two reduced VAT rates of 19%, instead of 10%, and 5% will apply; change in VAT rate has already led to a short-term rush in construction and real estate transactions," Hankova says. "On the corporate income tax side, there's a new tiered system: legal entities earning over EUR 5 million will face a higher tax rate of 24%, while legal entities earning up to EUR 100,000 will have a reduced rate of 10% instead of the current 15%." However, "individual entrepreneurs earning up to EUR 100,000 will continue to pay a 15% tax rate. The taxation of dividends on profits for individuals is being lowered from 10% to 7%. This incentivizes many individual entrepreneurs to restructure their operations into LLCs," Hankova explains.

Shifting gears to focus on labor costs, Hankova stresses that this is "another challenging area. As of January 1, the minimum wage is increasing from EUR 750 to EUR 816, which further pressures businesses already dealing with higher taxes. Many companies are restructuring labor costs to adapt."

At the same time, businesses are grappling with ESG compliance. "Large businesses are required to issue their first ESG reports for the year 2024, and other businesses will follow gradually each year by 2028. Even suppliers not directly required to report are feeling the impact, as their clients demand compliance to maintain relationships," she says. "This is a transformative shift, and businesses are investing substantial time and resources to meet these requirements."

Furthermore, Hankova says that there have also been movements having to do with energy and healthcare. "We're awaiting government decisions on targeted subsidies for households struggling with rising energy costs. Likely, due to lack of time, the subsidies will be general as was the case last year. Additionally, Slovakia is exploring financing options for a new nuclear reactor, inspired by similar projects in the Czech Republic." In healthcare, she notes an "ongoing debate about privatizing traditionally non-profit public hospitals, which could attract private investors but is controversial." Moreover, the sector "faces mass termination notices from doctors highlighting long-standing issues with wages, working conditions, and resource allocation."

Finally, Hankova says there are signs of optimism and wishes for stability in the region. Despite challenges, Slovakia has become an attractive relocation destination for Ukrainian entrepreneurs. "Many businesses remain optimistic and are rethinking strategies to adapt."

Montenegro's EU Journey: A Buzz Interview with Jelena Vujisic of Vujacic Law Office

By Teona Gelashvili (December 11, 2024)

Montenegro is seeing major changes with the election of a new Supreme Court President, the creation of a state-owned development bank, and tax reforms under the *Europe Now 2* program, aligning the country with EU standards, according to Vujacic Law Office Partner Jelena Vujisic.

"Montenegro recently elected a new Supreme Court President after four years and eight unsuccessful attempts," Vujisic notes. "The Judicial Council selected Valentina Pavlicic, a former representative at the European Court of Human Rights, to lead the institution. This is a significant development for Montenegro's judiciary, as the courts have faced a challenging situation over the past five years. The appointment brings hope for much-needed improvements in judicial operations."

Another notable development, Vujisic emphasizes, is the anticipated formation of a state-owned development bank. "This initiative marks a first for Montenegro, with the parliament recently adopting a set of laws to support its creation," she notes. "The goal of the development bank is to provide financial assistance to Montenegrin companies and stimulate economic growth. The bank will be built upon the existing Investment and Development Fund, taking over its functions and responsibilities. The establishment is expected to be completed by the end of the year."

Vujisic also highlights that in October, the second phase of Montenegro's tax reform program, Europe Now 2, was introduced. "This reform includes two major changes aimed at reducing tax burdens and addressing wage policies," she explains. "For the first time, minimum salaries have been differentiated by education level: EUR 600 net for employees with a high school diploma and EUR 800 net for those with a university degree." Previously, according to Vujisic, Montenegro only had a general minimum salary standard. Additionally, she says, "employer costs have been reduced, with employers' pension contributions decreasing from 15% to 10%, and employees' contributions dropping from 5.5% to 0%. While employees have welcomed these measures, small businesses have expressed concerns that higher minimum wages could negatively impact their operations."

Montenegro has also introduced new legislation to align with EU standards, Vujisic continues. "A new *Electronic Communications Act* has been passed to ensure compliance with EU regulations. Additionally, the Agency for the Protection of Competition has taken significant steps, including issuing decisions regarding restrictive practices by telecommunications companies." She explains that "such decisions are rare in Montenegro and reflect a more proactive approach as the country seeks to improve its readiness for EU membership within the next three years. While these decisions have been appealed, they demonstrate a shift toward stricter enforcement of competition laws."

"These developments highlight Montenegro's efforts to strengthen its institutions, support its economy, and align with European standards as it continues its EU integration journey," Vujisic concludes.

The Judicial Council selected Valentina Pavlicic, a former representative at the European Court of Human Rights, to lead the institution. This is a significant development for Montenegro's judiciary, as the courts have faced a challenging situation over the past five years. The appointment brings hope for much-needed improvements in judicial operations.

Entrepreneurs' Shift in Mentality in Romania: A Buzz Interview with Roxana Musoi of Radulescu Musoi

By Andrija Djonovic (December 12, 2024)

Radulescu Musoi Partner Roxana Musoi reflects on a dynamic year for Romania's M&A market, highlighting shifting entrepreneurial mindsets and opportunities driven by European funds.

"It's been a strong year for M&A transactions in Romania, both in terms of volume and activity levels," Musoi begins. "What stood out was the openness of sellers to engage with investment funds, which is a noticeable shift in mentality. Historically, many businesses were run more as private enterprises, but we're now seeing a greater willingness among Romanian entrepreneurs to embrace transparency and adopt corporate governance structures." According to her, this change is largely driven by the rising costs of bank loans, which has made accessing traditional financing more difficult. As a result, entrepreneurs are turning to private equity funds or preparing their companies to go on the capital market as a way to raise capital.

"Additionally, there's been a wave of Romanian entrepreneurs exiting their businesses," Musoi continues. "Interestingly, many of them are reinvesting their capital elsewhere to spread the financial risks in different sectors, which is slowly fostering the growth of a private equity ecosystem in Romania. Currently, there are about 10 funds actively seeking investment opportunities across various industries. We're optimistic this trend will continue into 2025, though much will depend on political stability and maintaining investor confidence."

As for the specific areas that have been most active, Musoi stresses that "the IT, healthcare, medical, retail, production, and oil and gas sectors have attracted significant attention this year. Real estate, however, has seen less activity compared to previous years." One of the key drivers for this sectoral interest, according to her, has been the availability of European investment funds, which have created numerous opportunities in industries tied to public procurement. "As a result, we've seen a lot of work related to public sector bids and projects." Furthermore, Musoi indicates that the war in Ukraine has had a dual impact on Romanian sectors. "On the downside, agriculture has been heavily affected, with Ukrainian produce flooding local markets and driving prices down. On the positive side, oil and gas have remained stable, and we hope to see continued investment in exploring energy sources, particularly in gas."

Musoi also reports on several noteworthy updates, especially in the financial sector. "Romania has aligned itself with broader EU legislative trends, implementing overhauls like the Alternative Investment Funds Directive, the Crowdfunding Directive, and the Payment Services Directive," she says. "These changes are creating a more structured and transparent financial environment, which is crucial for attracting and retaining investors." And, another important regulatory development has been the FDI approval mechanism. "For all foreign investments exceeding EUR 2 million in most sectors and below EUR 2 million for investment in strategic sectors, prior approval is now required before closing. This has added a new layer of complexity to transactions, generating significant work for legal advisors and sometimes delays in closing, as most of the deals now require notification and compliance with these requirements."

Finally, focusing on the legal market itself, Musoi reports that client work remains robust, but that it is becoming evident that larger law firms are better positioned to handle the demands of today's market. "Their broader expertise allows them to provide faster and more precise advice, which is increasingly important given the complexity of modern transactions and regulatory requirements. As the market evolves, I expect the gap between larger and smaller firms to continue widening, with the former being better equipped to meet the challenges posed by both clients and regulatory frameworks," she says. Still, she remains optimistic about the year ahead concluding by saying that "2025 could be another vibrant year for Romania."

Navigating Uncertainty in Bulgaria: A Buzz Interview with Mitko Karushkov of Karushkov Legal Solutions

By Andrija Djonovic (December 16, 2024)

Navigating the challenges of Bulgaria's legal and regulatory environment requires a careful balance, particularly in light of ongoing political instability, according to Karushkov Legal Solutions Founder Mitko Karushkov who takes aim at systemic issues affecting legislative processes, judicial stability, and regulatory reliability, while highlighting the importance of proactive risk management and the potential for growth amidst uncertainty.

"Bulgaria must be understood within the context of its ongoing political instability," Karushkov begins. "This directly affects the legislative process, delaying the adoption of crucial laws while rushing others through parliament, often at the expense of quality and clarity. We're seeing critical pieces of legislation left in limbo, which undermines confidence and predictability in the legal framework," he goes on to say. Furthermore, Karushkov says that "sometimes some regulators state that the EU legislation is 'vague' and 'too broad,' which triggers the necessity of passing national laws in addition to the EU regulations. This, along with the political instability and the resulting cumbersome legislative process, sometimes leads to a lack of comprehensive guidance businesses need to operate securely." In particular, he indicates that "technology regulation has suffered from this instability, with delays in implementing necessary legislation causing challenges for businesses operating in these sectors."

Focusing on the specific challenges this poses for businesses and investors, Karushkov stresses that "the instability creates a significant challenge for businesses, both domestic and international. For one, the judicial system is far from stable, and the regulators are not immune to these broader systemic issues. While not all decisions or regulatory bodies are questionable, the system as a whole is shaken, leaving room for uncertainty." This is why a thorough risk analysis is absolutely essential for businesses operating in Bulgaria. "It's not enough to evaluate the financial or operational aspects of a deal – companies must also consider potential legal disputes and prepare for worst-case scenarios." Additionally, he stresses that "many regulators face challenges due to expired terms and delayed appointments, which raise questions about their capacity and competence. This gap in regulatory oversight has led some regulators to avoid addressing factually complex cases, compounding uncertainty for businesses."

Crucially, when it comes to mitigating risks, Karushkov indicates that "businesses should factor in the potential for disputes and the likelihood of challenges within Bulgaria's judicial system." To that end, he indicates that arbitration clauses are becoming increasingly important, as they provide an alternative to the local courts. "Companies should also focus on robust due diligence, ensuring that every aspect of their operations – from regulatory compliance to contractual obligations – is carefully scrutinized. Proactive legal and operational strategies are crucial for navigating this environment." Specifically, he adds that "some non-EU clients are increasingly introducing self-insurance clauses, offering more flexibility and security for investments. This approach has gained traction among local businesses as well, reflecting a shift in risk management practices."

Still, with all this being said, there is a silver lining. "While the challenges are significant, there are still opportunities for growth," Karushkov says. "Bulgaria remains a key market in the region, with a strategic location and an economy that continues to attract attention despite the hurdles. Businesses that approach the market with caution, leveraging strong legal advice and risk management practices, can still find success," he opines. Moreover, political and judicial reforms are topics of active discussion in the country, and if implemented effectively, Karushkov believes they could restore confidence and stability in the years to come. "In a landscape defined by uncertainty, careful planning, and strategic risk management are not just advisable – they're essential. However, I remain optimistic that things will start looking up soon," Karushkov concludes.

Slovenia's Exciting Year Ahead: A Buzz Interview with Aleksandra Mitic of Kavcic, Bracun & Partners

By Teona Gelashvili (December 17, 2024)

As 2024 wraps up, Slovenia is thriving with growth in IT, healthcare, real estate, and renewables, according to Kavcic, Bracun & Partners Partner Aleksandra Mitic, who notes that despite external challenges, optimism is high and key projects and investments are setting the stage for an exciting year ahead.

"As the year draws to a close, activity across several sectors has surged," Mitic explains. "In the IT and healthcare industries, businesses are actively seeking investors, driving a wave of small transactions and rapid growth. Private investments in healthcare are particularly trending, reflecting increased interest in the sector. Despite challenges from neighboring Germany's automotive sector, which has ties to Slovenia's economy, the overall outlook remains positive."

Real estate also remains a strong performer, according to Mitic, "with numerous residential projects underway. Recently, there's been a notable focus on developing business premises. However, with so many new spaces available, renting them out has become a challenge." One of the most significant developments this year, she emphasizes, "has been the redevelopment of Ljubljana's main railway and bus station area. This large-scale project includes business spaces, hotels, and other infrastructure, signaling a pivotal moment for real estate in the area. The city has plenty of room for further development, and current investments seem to be creating momentum for future growth. While some projects faced delays in previous years, construction is now in full swing."

Mitic highlights that the renewable energy sector has also been gaining traction with ESG considerations becoming a central focus. "The government is actively promoting clean energy projects, including solar, rooftop, and hydropower developments. Political delays have stalled plans for a new nuclear power plant, but smaller-scale renewable initiatives are progressing steadily," she says. "At the same time, the energy sector is experiencing significant consolidation, creating new opportunities for growth and collaboration."

Mitic also draws attention to the developments in competition law. "The competition agency has been highly active over the past few months, tackling antitrust cases and encouraging settlements," she notes. "For instance, a recent case was resolved with a EUR 1 million fine. The agency seems determined to catch up with neighboring countries, addressing older cases and streamlining merger clearances. Using settlements could be a practical way to resolve cases before the agency for the companies."

Another key area of focus for law firms, according to Mitic, has been compliance with AML regulations. "Law firms are under scrutiny to ensure adherence to KYC requirements, with the bar association overseeing these efforts," she says. "As changes to AML regulations are discussed at the EU level next year, firms must stay vigilant in understanding their clients and their business activities."

Lastly, Mitic adds that Slovenia's legal market has seen new entrants. "The country is becoming an attractive entry point for Eastern and Central European companies, many of which prefer a single legal partner to handle multiple jurisdictions," she explains. "This trend has led to increased collaboration between Slovenian firms and counterparts in Austria and the Czech Republic. While the market traditionally had only a few international firms, new partnerships are reshaping the landscape, creating a sense of energy and opportunity as the year ends."

Despite challenges from neighboring Germany's automotive sector, which has ties to Slovenia's economy, the overall outlook remains positive.

Steady Sailing for Croatia: A Buzz Interview with Ana Novakovic Stipanicev of Kovacevic Prpic Simeunovic

By Andrija Djonovic (December 19, 2024)

It's been a dynamic year for Croatia according to Kovacevic Prpic Simeunovic Partner Ana Novakovic Stipanicev, who highlights robust M&A activity, political stability fueling investor confidence, and key regulatory developments as reshaping sectors like energy, real estate, and public procurement.

"It has been a busy year, particularly with M&A activity across multiple sectors," Novakovic Stipanicev begins."Throughout 2023, and especially in Q4, we've seen a noticeable uptick in transactional work as clients push to close deals before year-end. The sectors that stood out include retail, wholesale, pharmaceuticals, IT, construction, and hospitality." Moreover, she indicates that the energy sector has "also been active in terms of interest, though many projects are currently stalled. The reason for this stagnation is the government's delay in adopting the necessary secondary legislation – until this issue is resolved, a significant number of energy projects remain pending, despite a strong pipeline."

Still, all that being said, Croatia continues to be quite attractive for foreign direct investment. "We're seeing both strategic buyers and private equity funds remaining active," Novakovic Stipanicev continues, indicating Croatia's political stability as one of the key drivers. "The same party that was in power before winning the parliamentary elections earlier this year, continuing nearly a decade of consistent governance. This continuity translates to predictability in policies, which is critical for foreign investors." Another factor is rising GDP. "Combined with a relatively stable political environment, it has created a sense of confidence that attracts investors looking for opportunities in a dynamic market. Of course, we're also seeing external drivers – European funds and private equity activity – that are contributing to sustained interest, particularly in sectors such as public procurement, IT, and hospitality."

Novakovic Stipanicev reports on a real estate tax overhaul. "This tax has been attempted before but collapsed under political and public scrutiny. However, at the beginning of December, the government finalized and voted on the necessary regulations, and the law is now in full effect." As she puts it, the logic behind the tax is to address Croatia's high real estate prices, which are driven by both short-term tourism rentals and underutilized properties. "There's a clear discrepancy between the average person's purchasing power and property prices, leaving many homes vacant year-round, while simultaneously driving up acquisition and rental costs. With the introduction of this new tax, the government is trying to realign incentives and stimulate long-term housing solutions." Still, the big question now is "how this will play out in practice – whether more properties will hit the market and how prices will shift. The effects on tourism and hospitality remain to be seen next season, but keeping properties empty year-round just to capitalize on summer rentals will no longer be viable."

Additionally, Novakovic Stipanicev reports a major development involving a ruling from the European Court of Justice. "The ECJ ruling in the Kolin case has sparked a lot of legal uncertainty. This case arose from a Turkish company bidding for a public procurement contract in Croatia's railway construction sector – after losing, they appealed, and matters ultimately escalated to the ECJ." However, the ECJ did not decide on the substantive preliminary questions; instead, it raised a broader issue: the participation of bidders from third countries – those without reciprocal free trade agreements with the EU – in public procurement procedures. "The court essentially questioned whether these companies should enjoy the same legal protections as EU entities and what remedies would be available to them. This ruling has significant implications not just for Croatia but across the EU," Novakovic Stipanicev explains, highlighting the particular impact this might have for Croatia, where companies from non-EU countries regularly participate in tenders, especially in the construction sector. "The ruling leaves contracting authorities in a difficult position, as they must determine how to proceed with such bids going forward; with no national regulation or case law implementing the ruling yet, uncertainty remains a challenge."

A Rare Pessimism Level in Austria: A Buzz Interview with Markus Piuk of Schoenherr

By Andrija Djonovic (December 19, 2024)

Austria is facing a challenging economic landscape marked by rising insolvencies, sectoral struggles, and shifting legislative priorities, according to Schoenherr Partner Markus Piuk, who highlights the resilience of the legal profession and the transformative potential of AI in reshaping it.

"Rarely have I seen as pessimistic of a sentiment in the market overall as I do now," Piuk begins. "If I were to put a positive spin on it, I'd say things are moving sideways, but the reality feels more like a downward spiral we all will need to work to stop. That said, I try to focus on the positives – while the broader economy is under strain, our legal industry remains busy, which is a silver lining amidst the challenges."

Piuk reports that there is a significant number of insolvency and restructuring mandates in Austria right now, many with an international angle. "Legislative changes in recent years have given us better tools to keep companies in financial distress alive rather than pushing them straight into bankruptcy, which is a huge improvement. But the scale of insolvencies we're facing now – particularly among larger groups – is quite challenging," he says. "I believe we still need further legislative advancements to deal more efficiently with these complex cases in order to maximize creditor value. That said, Austria's insolvency framework has come a long way over the past two decades – it's far more effective than it used to be, which is crucial for navigating this aspect of economic life," he explains.

Piuk says that it is apparent from the news that the automotive sector and heavy industry are particularly under strain these days, in particular as these tend to be labor- and energy-intensive. "Rising labor costs and a scarcity of skilled workers are creating significant challenges, even as unemployment rates across Austria and much of the EU are increasing – a paradoxical situation. These industries are navigating extremely turbulent times, which may still last for a while."

Taking a step back to assess the broader economic and legal landscape, Piuk expects to see "increased foreign investment flowing into Austria. There are many good companies here that seek investors, and I anticipate that a substantial portion of this funding will come from abroad."

From a legislative perspective, he says that lawyers are all "waiting to see what the new government will bring and how global political trends will influence domestic policy. Issues like ESG remain important – but I expect the European Commission and governments to fine-tune their approach. It feels like we're on a highway with roadblocks ahead, and we'll need a strong navigation system to find the best detours to ultimately reach our goal safely."

Finally, as for the legal profession itself, Piuk says that AI has been on everyone's minds. "It's already making our work easier, and I'm excited to see how it continues to evolve. While I was skeptical at the beginning, I think it will be a real game-changer for the legal industry, particularly when courts and administrative bodies embroil AI more extensively – efficiency will skyrocket. Of course, there's always the challenge of retaining the human component, which is essential in our work, but the benefits of AI are undeniable."

Legislative changes in recent years have given us better tools to keep companies in financial distress alive rather than pushing them straight into bankruptcy, which is a huge improvement. But the scale of insolvencies we're facing now – particularly among larger groups – is quite challenging.

THE DEBRIEF: JANUARY 2025

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

This House – Implemented Legislation

Peterka & Partners Partner Adela Krbcova highlights recent amendments to the *Czech Employment Act* that took effect on January 1, 2025. "The start of the new year brought several changes to the Czech labor agenda with effect as of January 1, 2025," she notes. To name a few, "the minimum gross salary increased to CZK 20,800 for standard full-time employment. The hourly minimum salary for 2025 is set at CZK 124.40," Krbcova highlights. "The threshold for mandatory social security and health insurance contributions under agreements on work performance is CZK 11,500 and agreements on working activity and small-scale employment CZK 4,500."

Additionally, "the lump-sum compensation for telework costs is CZK 4.80 per each commenced hour of telework," Krbcova reports. "Rates of basic compensation for the use of road motor vehicles and meal allowances and on determining the average price of fuel for the purposes of providing travel allowances also changed." She notes that "employee health benefits up to CZK 46,557 and other non-monetary benefits (such as leisure time benefits) up to CZK 23,278.50 are tax-exempt and not subject to social security and health insurance contributions in 2025. The costs are treated as tax-non-deductible costs by the employer."

The *Employment Act*, Krbcova emphasizes, "strengthened the powers of labor inspectors when performing inspections by enabling them to make audio, visual, and audio-visual recordings without consent if the purpose of the inspection cannot be achieved otherwise. They also can, in certain cases, request information on an inspected employer from the tax administration."

In Austria, "as of December 30, 2024, the European Union's *Markets in Crypto-Assets Regulation* (MiCAR) is fully applicable," Act Legal WMWP Partner Roman Hager underlines. "The Austrian Financial Market Authority (FMA) now oversees the crypto market, aiming to enhance integrity, transparency, and reliability in this rapidly evolving sector."

MiCAR, according to Hager, "introduces specific rules for asset-referenced tokens (ARTs) and e-money tokens (EMTs), commonly known as stablecoins. Issuers of these tokens must adhere to strict supervisory requirements, including a sound capital base, redemption rights, and comprehensive white papers detailing the tokens' features and associated risks. These measures are intended to ensure stability and robust consumer protection." For other crypto-assets outside the ART and EMT categories, he adds that "MiCAR mandates the provision of clear and reliable white papers. These documents must be accessible to investors, offering transparent information about the assets' technical foundations, economic rationale, risks, and the rights of participants. The FMA has underscored the necessity of ensuring that this information is fair, clear, and not misleading."

The regulation "also intensifies actions against unauthorized

Anca Diaconu,
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Adela Krbcova,
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Jelisaveta Stanisic,
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Kostadin Sirleshtov,
Managing Partner,
CMS Sofia

providers and crypto-related fraud," Hager notes. "Enhanced transparency and stricter enforcement measures aim to deter investment fraud, money laundering, and other dubious practices. Unauthorized entities operating without requisite approvals will face severe sanctions, supported by ongoing collaboration between Austrian and international supervisory authorities."

"In tandem with MiCAR, the *Digital Operational Resilience Act* (DORA) comes into effect on January 17, 2025," Hager says. "This regulation enhances IT security and operational resilience for financial market participants, including crypto-asset service providers. Under DORA, providers must implement advanced technical security measures, conduct regular stress tests, and maintain contingency plans to safeguard operations against cyber threats and system disruptions. Together, MiCAR and DORA aim to deliver not only greater transparency and confidence in the Austrian crypto market but also a technologically secure and resilient environment."

Finally, Hager says that "the European Securities and Markets Authority (ESMA) has issued several warnings regarding the risks associated with crypto-assets. In December 2024, ESMA cautioned investors about the highly volatile nature of crypto-assets, noting that recent surges in value could be short-lived and emphasizing the potential for significant financial loss."

For Greece, Drakopoulos Senior Associate Sofia Angelakou draws attention to the new law transposing EU standards on corporate sustainability reporting. "On December 12, 2024, *Law 5164/2024* (Law 5164) entered into force," Angelakou notes. "Specifically, the provisions of *Law 4548/2018* relating to the annual management report have been amended to provide for the obligation of an in-scope entity to prepare, as part of its annual management report, a sustainability report, which shall include information necessary to understand its impacts on sustainability matters and information to understand how sustainability matters affect its development, performance, and position (the so-called 'double materiality' concept)."

Angelakou adds that "these provisions apply to all large undertakings as well as to small and medium-sized undertakings that are public-interest entities, to all undertakings that are parent undertakings of large groups, and to subsidiary undertakings and branches of undertakings which are governed by the laws of a third country, provided that they fall within the scope of article 11 of Law 5164, which added article 154B to *Law 4548/2018*." Additionally, "failure to include the required sustainability-related information in the annual management report may lead to criminal sanctions for the members of the board of directors (imprisonment of up to three years or penalty ranging from EUR 5,000 to EUR 50,000) and for the auditors and audit firms or independent providers of assurance services that give false opinions (imprisonment of up to three years or penalty ranging from EUR 10,000 to EUR 100,000 or both). Administrative fines shall also be imposed in case of non-compliance."

Malgorzata Czarnecka,
Associate,
Greenberg Traurig

Roman Hager,
Partner,
Act Legal WMWP

Sofia Angelakou,
Senior Associate,
Drakopoulos

Tamas Feher,
Partner,
Jalsovszky

This House – Reached an Accord

Jalsovszky Partner Tamas Feher highlights significant changes to the costs of litigation in Hungary. "Two recent legal reforms in Hungary address litigation costs and court fees, significantly impacting civil and administrative proceedings," Feher notes, adding that the reforms relate to attorney fees and court filing fees.

As for attorney fees, "around mid-2024, Hungary's highest court, the Kuria, overhauled prevailing practice, by requiring the losing party in lawsuits to fully compensate the winning party's attorney fees, with exceptions allowed only in extreme cases," Feher says. "In response, the Ministry of Justice introduced a new regulation (*No. 17/2024. (XII. 9.)*), effective February 2025, aligning with the Kuria's directive while also refining it." Key points, Feher underlines, include that "attorney fees can be claimed either by filing the engagement agreement concluded with the lawyer or a percentage-based system tied to the lawsuit's value," and "courts can reduce fees only under specific, justified circumstances, such as unnecessary or disproportionate claims, with a maximum reduction of 50%, bar extreme cases." He stresses that detailed reasoning is now required for court decisions on fee adjustments. "This reform discourages litigations initiated in bad faith and ensures the recovery of the actual costs – also in administrative cases against government authorities."

The Hungarian Parliament has also adopted a new tiered system for "first instance court filing fees, replacing the flat 6% rate with a degressive scale that removes the previous fee cap of HUF 1.5 million," Feher notes. Consequently, "lower-value cases will become cheaper to initiate. For example, a HUF 10 million lawsuit will cost HUF 489,500 instead of HUF 600,000." On the other hand, "high-value cases will see substantial increases," he notes, as "a HUF 100 million case will rise from HUF 1.5 million to over HUF 4 million." Feher believes that "the reform is likely to raise the attractiveness of arbitration, and incentivizes thorough case preparation. Together, these changes ensure equitable cost recovery for litigants while modernizing court fee structures, potentially reshaping Hungary's dispute resolution landscape."

In the Works

The major update in Bulgaria's energy sector, according to CMS Sofia Managing Partner Kostadin Sirleshtov, is Shell and Toshiba re-entering Bulgaria with two major contracts. "At the end of 2024, the Bulgarian government announced that Shell Exploration & Production will be awarded the exploration agreement for Block 1-26 Tervel," he notes. "Block 1-26 Tervel has an area of over 4,000 square meters and is located south of the Khan Asparuh block, in which OMV already drilled three wells and continues with its exploration campaign. The block is also next to the Turkish blocks where the Turkish state is currently producing 4 million cubic meters per day from the Sakarya discovery and the Neptune deep discovery, for which OMV Petrom and Romgaz have made a final investment decision and are expected to have a total volume of around 100 billion cubic meters of natural gas."

Additionally, at the beginning of 2025, "Toshiba International (Europe) Ltd. signed a long-awaited agreement with the Bulgarian National Electricity Company on the repair and rehabilitation agreement for Pumping Storage Hydro Power Plant (PSHPP) Chaira Unit 1," Sirleshtov explains. "PSHPP Chaira is infrastructure of paramount importance, part of the major Belmeken-Sestrimo-Chaira Hydropower Cascade. PSHPP Chaira has a generating capacity of 864 megawatts and a pumping capacity of 788 megawatts. Units 1 and 2 have been in operation since 1995, and at that time, Chaira was the largest pumped-storage plant in Southeast Europe with the highest head in the world for a single-stage pump turbine. Units 3 and 4 came online in 1999. Toshiba Energy Systems & Solutions Corporation is the manufacturer and supplier of the equipment for Chaira PSHPP and the owner of the technical and design documentation for the project. This necessitated the award of the repair work to the original manufacturer."

Done Deals

For Serbia's banking and finance sector, ZSP Advokati Partner Jelisaveta Stanisic draws attention to the increased number of deals concluded in 2024. As for the factors behind "companies trying to refinance their existing loans to lock in better rates," as well as "new project financing deals moving forward quickly," and "previously delayed deals coming back to life," Stanisic draws attention to a decrease in interest rates. "While not every deal managed to close before the year ended, December's busy period points to a much more active start for 2025," she continues. "Many deals that started in late 2024 are likely to be completed in early 2025, especially if interest rates stay at these more attractive levels." Additionally, the "end of 2024 also marked the emergence of new funding sources in Serbia – domestic corporate bonds," Stanisic emphasizes. "This suggests that corporate treasurers would soon be adding new instruments to the debt mix."

Regulators Weigh In

Nestor Nestor Diculescu Kingston Petersen Partner Anca Diaconu highlights that the beginning of 2025 in Romania was marked by a public consultation on foreign direct investment screening. "The Romanian Competition Council – which, notably, also has a role to play in foreign direct investment screening (i.e., Secretariat of the Commission for the Screening of Foreign Direct Investments) – opened the year by announcing a public consultation concerning the corporate restructuring of Warner Bros. Discovery, Inc. (WBD), currently subject to scrutiny under the FDI regime," Diaconu explains. "As per the authority's communique, the restructuring will lead to an indirect change in the (top) ownership structure of WBD's Romanian subsidiary, via the introduction of a new shareholder." Diaconu adds that the public consultation was unsurprising, "considering that certain investments in mass media are subject to such procedure pursuant to *Government Emergency Ordinance no. 46/2022*." Still, "the move is yet another example of an internal restructuring undergoing screening from a national security perspective," she notes. "Stakeholders are invited to submit their observations until the end of the month. It will be interesting to see whether concerns are raised and, if so, what they would look like, especially in light of the particularity of the investment i.e., restructuring."

Greenberg Traurig Associate Malgorzata Czarnecka highlights the evolving landscape of RES financing in Poland. "At the close of December, the President of the Energy Regulatory Authority (ERA) announced the details and summary of the 2024 auctions for procurement of electricity from renewable sources," she notes. "In Poland, the auction support system is designed to promote the development of renewable energy by providing financial incentives to producers." Projects covered by the auction system "were and are eagerly financed by lenders, as they offer a moderately reliable income stream, achieving peak popularity from 2019 to 2021."

"However, in recent years, we have observed a decline in the number of RES financing transactions involving projects based on the auction system, and figures released by ERA seem to support this trend," Czarnecka highlights. "The President of the ERA reports that the auctions successfully concluded in 2024 cover in total 16 terawatt-hours of electricity with a projected value of PLN 5.1 billion, representing only 36% of the green energy intended for sale by the ERA in 2024. This outcome confirms the ongoing trend of investors opting for alternatives to the auction system, with power purchase agreements, including corporate PPAs, being the most favored choice. Given the low interest in the auction system in 2024, we anticipate that the majority of RES financing transactions in the Polish market this year will involve PPA-based projects."

"Considering the growing demand for green lending, project finance transactions would likely follow this trend, encouraging lenders to focus on financing other renewable energy technologies," Czarnecka says.

THE CORNER OFFICE:
2024 IN (VOLUME) REVIEW

In The Corner Office, we ask Managing Partners at law firms across Central and Eastern Europe about their backgrounds, strategies, and responsibilities. With 2024 behind us, we asked: Looking at transactional volumes for this year, would you say that 2024 was better or worse than what you originally expected it to be, and why?

Christoph Mager, DLA Piper: 2024 was a year of good activity, with transactional volumes exceeding expectations driven by strategic M&A deals, increased cross-border transactions, and significant growth in the tech sector. Despite economic uncertainty, regulatory changes, and geopolitical tensions, 2024 was a standout year for our firm. Key drivers included a robust economy, significant advancements in AI, and increased activity in complex multi-jurisdiction transactions. Transactional volumes exceeded projections. In my view, in 2025, law firms are required to continue investing in innovative technologies and expanding practice areas. Additionally, the industry will likely see intensified competition as firms will need to woo talent and be able to offer internal promotions to equity partnerships. Further, law firms will seek to position themselves as leaders in high-growth markets as cross-border M&A. The transactional boom we witnessed in 2024 is both a confirmation and a call to action for continued innovation.

Igor Svechkar, Asters: The Ukrainian legal market continued to grow moderately but steadily. Law firms have adapted to wartime challenges, retaining their core teams and strategically onboarding new talent to bolster expertise in high-demand areas. Practices related to military & defense, damage recovery, and business continuity have become prominent due to the ongoing war. Demand for core services such as dispute resolution, white-collar crime, tax, intellectual property, and corporate and competition law remains robust. M&A and financing transactions have slowed, reflecting a cautious investor sentiment in the current environment. The Ukrainian economy grew by approximately 4% in 2024, contributing positively to legal work volumes. We observed a modest increase in new and returning clients, reflecting stability and continued interest from local and international businesses. Key active sectors included IT, banking, agribusiness, defense, construction, FMCG & retail, and energy – industries that remain critical to sustaining the Ukrainian economy and addressing the needs of the business.

Alexandra Doytchinova, Schoenherr: As 2023 was already a very successful year, the bar for 2024 was naturally set high from the outset. I am an optimistically conservative planner and have based the budget on the assumption of another busy year with a reasonable number of transactions coming up. Tend to plan cautiously but always aim for more. This past year did not disappoint. As the year progressed, we rather faced challenges to find the right matches for us on the hiring side than on the work side. We were also lucky to have several clients, especially in the renewables sector, which had a good pipeline for the last year which materialized and kept us busy. All in all, 2024 exceeded expectations thanks to the seamless work of our team members and our loyal clients who valued it.

Bernhard Hager, Eversheds Sutherland: As for Slovakia, our transaction volume was above our expectations. However, to be frank, our expectations were not very high since transaction volumes are down in CEE anyway. Regarding the reasons, we have mixed feelings. One big player for heat pumps decided on Slovakia for several reasons, hinting that Slovakia still is attractive for foreign investment. On the other hand, several transactions were based on the decision of international clients to leave Slovakia.

Jan Frey, Rowan Legal: Our 2024 outlook was initially conservative. However, due to a combination of several factors, both internal and external, this year has been record-breaking and significantly more successful for us in the M&A area than we anticipated. Despite the challenges currently faced by companies, which could potentially deter investors from making acquisitions, their acquisition appetite remains strong, particularly in certain sectors. This has led to a rapid increase in demand for our services from local, regional, and global PE funds and strategic investors, and a corresponding expansion of our legal and tax team, which is now one of the largest in the Czech market. In addition, we have been involved in several large-scale international and local restructuring projects, which are likely to continue in the coming years. These projects have only partially contributed to our results this year. Given their continuation, we can expect positive development in the years to come.

Irmantas Norkus, Cobalt: The last quarter of 2024 was exceptionally active, with the firm busier than ever before. We managed multiple buy-side mandates targeting the same assets and executed a series of transactions. This surge in activity resulted from processes that had been deferred for two years due to geopolitical tensions and elevated interest rates. We expect this momentum to carry over into 2025 and persist throughout the year.

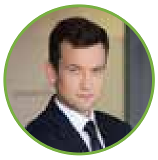
Irena Georgieva, PPG Lawyers: The year turned out better than expected. The final outcome might be attributed to the fact that last year we were preparing to survive in times of crisis – there's still hidden inflation in Bulgaria, no regular government, etc. Perhaps the expectations were underestimated. Despite predictions of a business downturn, influenced also externally by the complex international situation and low market activity, the year proved to be fruitful. The likely conclusion and the bigger picture however might be that increasingly unpredictable times lie ahead, and we must adapt to the impossibility of making precise forecasts.

Zoltan Forgo, Forgo, Damjanovic & Partners: After a buoyant 2023, which was really a hike for our firm's transaction practice, we were hoping to replicate the success and achieve a similar result. In 2024 we were eventually able to achieve a similar volume of M&A transactions as in 2024 and also a good volume of financing transactions. My observation is that the pie is generally speaking shrinking, especially, since there are fewer transactions where Western European investors are buying Hungarian assets. Instead, more and more Hungarian or CEE investors, with somewhat less attractive pricing for the sellers, mostly in bank financing-backed transactions, are active, resulting in longer transaction timelines. Our success in keeping transactions at a high volume is the result of our close cooperation with corporate finance firms, PE investors, and investors focusing on the solar power industry, the latter of which remained very active despite the negative changes in the regulatory framework (i.e., pre-emption right of the Hungarian state).

Istvan Szatmary, Oppenheim: Initially, our forecast for the year was optimistic, shaped by strong client activity at the end of 2023 and a positive global economic outlook. In some sectors, the volume exceeded projections. Key growth areas included intellectual property workflow driven by an uptick in technological innovation and several novel questions in the creative industry. Additionally, our M&A practice saw significant momentum, fueled by increased cross-border activity. This has brought about the rise of competition law-related transactional work as well. Overall, while 2024 was not without its challenges, the year exceeded expectations in terms of strategic growth areas and adaptability. Would we say 2024 was better or worse than expected? It was challenging, yet ultimately rewarding.

Jolanta Nowakowska-Zimoch, Greenberg Traurig: In 2024, deal volume in Poland exceeded our expectations. The year began cautiously, yet market conditions remained resilient, with significant transactional activity. A highlight was the Zabka Group IPO, one of Europe's largest this year, and Eastnine's acquisition of the Warsaw Unit office building, marking the largest office transaction in Europe. These events demonstrated growing investor confidence in Poland. M&A activity increased across both established and emerging sectors, showcasing the country's solid fundamentals. Notably, Qemetica's acquisition of PPG's silica products business was among the largest by a Polish company in the US. These trends aligned with our strengths, leading to us advising on complex, high-value transactions.

Kostadin Sirleshtov, CMS: The transactional volume in 2024 was bigger than in 2023 and exceeded our expectations. Sectors like renewables, real estate, telecoms, and alike performed beyond expectations, and CEE saw an increase in direct foreign investments despite the geopolitical tensions, the war in Ukraine, and the Middle East crisis. The reasons for the increase of the deal flow are several: higher returns than the ones offered in Western Europe; suitable regional targets that are being acquired by international groups; specific niche markets available in CEE; utilization of EU funds triggering M&A activity; and alike.



Michal Konieczny, KWKR: Looking back to 2024, although the overall value of transactions in the market was lower than initially expected, our business exceeded the 2023 performance indicators. We saw a decline in new technology projects, but an increase in the number of real estate transactions. Additionally, despite the general slowdown in the Polish M&A market, we managed to appear in several high-tech or cross-border transactions. While the sheer number of closed transactions might suggest otherwise, 2024 was one of our most intense years, full of advanced consultancy and international projects. With the expected influx of public funds into the VC market in 2025 and our strengthened capabilities, we enter the new year with an exceptionally strong pipeline and renewed optimism.

Panagiotis Drakopoulos, Drakopoulos: In 2024, transactional work maintained a strong upward trajectory, building on the activity of the previous busy years. The volume of transactions grew, as indeed was anticipated, benefiting from a business-friendly environment in Greece that positioned the country as an attractive jurisdiction for foreign direct investment. Equally, competitiveness challenges prompted consolidation across various industries and market sectors, which in turn further boosted transactional activity. All in all, Greece's current geopolitical standing, paired with a business climate that offers a positive outlook seldom seen in the EU today, justified and confirmed in practice our forecasts for increased transactional work.

Milos Velimirovic, SOG in cooperation with Kinstellar: The year 2024 surpassed expectations in many aspects. The first half of the year was marked by slower dynamics and fewer transactional volumes due to the election period and government formation. However, the second half was extremely busy, followed by a strong surge in transactional volumes. Regarding sectors, some of the largest deals in Serbia in the last five years occurred in 2024, primarily in the telecommunications, media, IT, pharma, and energy sectors. Our expectations for 2024 were moderate. Yet, it was a successful year, with many transactions continuing into 2025. For this reason, we see at least Q1 and Q2 staying very busy.

Nenad Popovic, JPM Partners: Looking at the blank CRM interface waiting to be populated with new work opportunities and inquiries it comes as inevitable to look back and compare the achievements of the past year with the one before and contemplate what the future holds for our firm in terms of new business opportunities. Yes, the transactional volume in 2024 is better than it was in 2023. There are multiple reasons for this achievement. I firmly believe that the main driving force is our annual marketing and business development plan which we diligently prepare and closely pursue each year.

Taulant Hodaj, Hodaj & Partners: I am delighted to share that 2024 has been the most remarkable in Hodaj & Partners' history so far. The expansion of our client base, mainly international, has been the cornerstone of our growth last year. Kosovo's evolving legal and economic framework continues to attract fresh investments, in the sectors of IT, real estate, and energy. Our transactional volume has risen significantly, reflecting the new vibrancy of Kosovo's legal market and our firm's growing reputation as the leading law firm in Kosovo. This increasing interest from foreign investors, along with a growing local business landscape has created opportunities that we have been privileged to support. The transactional volume we have encountered should be a testament to Kosovo's potential, as well as the hard work, dedication, and strategic vision of Hodaj & Partners. We look forward to 2025, while we remain committed to setting new standards in the legal profession.

Nenad Cvjeticanin, Cvjeticanin & Partners: 2024 exceeded our expectations, marking an 18% increase in transactional volume compared to the previous year. This improvement was driven by a combination of increased income and strategic cost reductions, including the successful integration of AI tools into our workflow. These innovations streamlined our processes, enhanced efficiency, and allowed us to focus more on delivering value to our clients. Another key factor is Serbia's recent attainment of an investment-grade rating, which has positively impacted the legal market. This development attracted new investors and boosted client confidence, creating a more dynamic business environment. Looking ahead, the perspective remains bright. With our continued focus on corporate law, intellectual property, and media law, we anticipate further growth.

Olexiy Soshenko, Redcliffe Partners: The year 2024 turned out to be better than initially anticipated, as many businesses successfully adapted to the evolving business environment and the realities of the ongoing war. This enabled us to begin 2024 with cautious optimism, despite the significant uncertainties and challenges the war continues to bring. Our firm had the privilege of assisting clients in multiple high-profile transactions. A notable trend has been the continued activity of international financial and development institutions in Ukraine, providing vital support to key sectors such as banking, agriculture, telecommunications, etc. Encouragingly, some foreign investors have made new investments in Ukraine, signaling confidence in the country's resilience and potential.

Miroslav Plascar, Zuric i Partneri in cooperation with Kinstellar: The transactional volume for 2024 aligned with expectations, eliminating the need for further clarification. This reflects accurate forecasting, stable market conditions, and consistent demand. The alignment suggests that no significant disruptions occurred, and the assumptions underlying projections held true, indicating a well-executed strategy.

Timur Bondaryev, Arzinger: Clients got used to the war and decided to take advantage of the situation, investing in distressed assets, and getting ready for rebuilding efforts. Ukraine has put for sale a number of public and former Russian assets, which were nationalized recently. Global deals with a Ukrainian nexus have traditionally contributed to our books. This sort of work has always been the bread and butter for us and 2024 was not an exception. The Ukrainian defense sector has also generated an impressive deal flow.

PRIVATE HEALTHCARE IN CEE

By Teona Gelashvili

The private healthcare sector across CEE has been expanding at a remarkable pace, reshaping the way people access and experience medical care.

Willingness To Pay for Premium Services

Demand for private healthcare services has surged over the years, fueled by rising incomes and growing health awareness. In Bulgaria, it has been driven by "a rising standard of living and increasing demand for high-quality medical services, shorter waiting periods, and more personalized care," Schoenherr Counsel Elena Todorova explains. "Private healthcare facilities are equipped with modern technology and offer a broad range of specialized treatments, many of which are unavailable in public hospitals."

A similar trend can be observed in the Czech Republic, where the demand for services outside the public health insurance system has grown steadily. According to PRK Partners Partner Roman Pecenka, "the aging population plays a significant role, as it increases the demand for healthcare services in general and particularly for chronic disease management, long-term care, and rehabilitation services." Additionally, people are showing a "willingness to pay for premium and personalized healthcare services."

Digital transformation is another significant driver. "Innovations like telemedicine, electronic health records, and AI-driven diagnostics are becoming increasingly integral to healthcare delivery," Pecenka notes. The shift toward preventive and personalized medicine is further reshaping the industry. "We are seeing greater emphasis on wellness programs and treatment plans tailored to the unique needs of individual patients."

"Although public medical assistance in Latvia is meant to be available to all residents, this is far from the reality," Cobalt Partner Indrikis Liepa highlights. "Insufficient public funding and questionable efficiency result in interminable queues for popular diagnostic checks and medical procedures." Meanwhile, private healthcare institutions are appealing to "more demanding customers who are willing to pay for quality service or prompt attention."

Similar gaps exist in countries like Lithuania, Moldova, and Croatia. In Lithuania, "while public institutions often struggle with long waiting times and operational inefficiencies, private providers offer faster, more tailored services," Widen Head of Medical and Pharmaceutical Law Darius Paulikas says. "Many patients, particularly from urban areas like Chisinau, prefer private clinics to avoid long waiting times, outdated equipment, and impersonal care often associated with public healthcare," ACI Partners Head of Life Sciences Doina Doga adds on Moldova.

Yet, both Paulikas and Doga stress that private healthcare remains primarily accessible to those with higher incomes. "As per the last available data, around 84.2% of the population relies on public healthcare services, while only 15.8% uses private healthcare facilities," Doga says.

In Croatia, on the other hand, Deloitte Legal Attorney at Law Zrinka Vrtaric highlights that "the government collaborates with private providers to reduce the strain on public facilities, and more Croatians are purchasing private health insurance, which makes private care more accessible to the middle class."

Health Tourism: A Catalyst for Growth

Health tourism is emerging as another significant growth factor. In Croatia, the affordability of private healthcare compared to Western Europe is a major draw for both local and international patients. "Private healthcare in Croatia remains much cheaper than in Western Europe, making it an attractive option for both locals and medical tourists," Vrtaric explains, adding that the sector's growth is evident, with private healthcare accounting for 12% of the total market and expanding at a double-digit rate annually.

Bulgaria, too, has become a hub for medical tourists. "Bulgaria attracts around 50,000 medical tourists a year, many of them from neighboring countries or the Middle East," Todorova adds. Similarly, Moldova is "a destination for international patients seeking high-quality, affordable services, particularly in dental care, fertility treatments, plastic surgery, and ophthalmology," Doga notes. "The establishment of the Moldovan Medical Tourism Association in 2021 has further bolstered this trend, actively promoting Moldova's medical services."

The Czech Republic is "recognized for its affordability and high-quality services in areas such as dental care, plastic surgery, and spa treatments," Pecenka points out, adding that "this reputation will likely continue to attract international patients, further boosting the sector's growth."

Darius Paulikas, Head of Medical and Pharmaceutical Law, Widen

Doina Doga, Head of Life Sciences, ACI Partners

Elena Todorova, Counsel, Schoenherr Bulgaria

Indrikis Liepa, Partner, Cobalt

Roman Pecenka, Partner, PRK Partners

Zrinka Vrtaric, Attorney at Law, Deloitte Legal

The Growing Pains of a Thriving Sector

Despite robust growth, the private healthcare sector faces some challenges. Todorova notes that challenges are typically related to "shortages of qualified medical professionals and low wages for young professionals." She emphasizes that "according to media reports, around 1,500 medical students graduate each year in Bulgaria," yet "around 60% of graduates choose to stay to practice in the country, while the remaining 40% seek opportunities abroad."

Doga and Pecenka draw attention to the disparity between the public and private sectors. In Moldova, "the public sector often struggles to retain medical professionals due to less competitive salaries and working conditions, leading many specialists to transition to the private sector," Doga notes. Likewise, Pecenka says that in the Czech Republic, workforce shortages lead to "intense competition for doctors and nurses between public and private providers further straining the system."

In Croatia, "many doctors work in both sectors, but since private clinics often pay better, they prioritize their private patients," Vrtaric adds. "This means fewer resources and longer waiting times for those relying on public healthcare." Croatia also "struggles to retain qualified doctors and nurses, many of whom leave the country for better pay and working conditions abroad."

"The gap in access to healthcare between urban and rural areas is also a challenge," Todorova highlights, as "most private facilities are concentrated in the large cities." Doga also stresses that "approximately 75.8% of private medical institutions are located in cities, particularly in Chisinau, the capital. Consequently, rural populations and individuals with limited financial resources face significant barriers to accessing private healthcare."

In Lithuania, "young doctors and nurses are increasingly choosing major hospitals in bigger cities and are less likely to work in regional hospitals, exacerbating staff shortages in rural areas," Paulikas adds. "This imbalance, combined with a declining interest in nursing as a profession, poses long-term challenges for both public and private healthcare providers."

Consolidation: A New Chapter

Across the region, consolidation is the name of the game. Over the past ten years, in Latvia, "the consolidation of private healthcare providers has become evident," Liepa points out. "It began with pharmaceutical wholesalers acquiring independent pharmacies, creating vertically integrated pharmaceutical product distribution chains. This was followed by a few of these distribution chains expanding into the healthcare services sector by acquiring existing or establishing new private healthcare institutions."

In Bulgaria, "this is typically driven by the need to achieve economies of scale, to expand service provision, and to improve operational efficiency," Todorova says.

The Czech Republic is also seeing a significant shift toward consolidation. "First, economies of scale play a significant role," Pecenka says. "Larger healthcare groups can achieve cost efficiencies by streamlining operations and negotiating better terms with insurers and suppliers. Additionally, the sector is attracting interest from private equity firms and strategic investors."

Another key driver is market positioning, Pecenka adds. "By consolidating, providers can expand their geographic reach, diversify their service offerings, and strengthen their brand recognition." Lastly, he says, "regulatory pressure is also a factor. Larger, well-resourced organizations find it easier to meet stringent healthcare regulations and quality standards, giving them a significant advantage over smaller, independent providers."

In Croatia, the consolidation trend is motivated by the need to streamline operations and invest in advanced technology. "Consolidation allows providers to offer a wider range of services under one roof, making them more appealing to patients," Vrtaric concludes.

LOOKING IN: ANDERS FAST OF BAKER MCKENZIE

By Teona Gelashvili

In our Looking In series, we talk to Partners from outside CEE who are keeping an eye on the region (and often pop up in our deal ticker) to learn how they perceive CEE markets and their evolution. For this issue, we sat down with Baker McKenzie Stockholm Partner and a member of the firm's Global Executive Committee Anders Fast.

CEELM: What was your first interaction with the CEE region?

Fast: My personal journey with the CEE region began in the late nineties when I did my first transactions involving the CEE region. Since then, I have had the pleasure of working on numerous projects and transactions in the region.

Witnessing the transformative changes in the CEE markets has been incredibly rewarding. Since the opening of our first CEE office in Budapest in 1987, Baker McKenzie has significantly expanded its footprint. With close to 400 lawyers in six markets, we are now one of the biggest international law firms in the region.

CEELM: What has been keeping you busy in the last 12 months?

Fast: The CEE region is very diverse, and businesses operating in the region are faced with complex legal landscapes, significant compliance challenges, and fluctuating market conditions. We advise our clients in the region on a broad mix of transactional, contentious, and advisory matters across multiple sectors.

In Hungary for instance, compliance and investigation work surged for us in the past year, partly driven by the rise of AI, which presents novel legal challenges. We have also seen strong demand in the private M&A sector, with a focus on mid-market transactions, as well as foreign direct investments in the automotive industry.

Distressed M&A, carve-outs, and post-M&A dispute work have been prominent in Austria. Insolvency work has also kept our teams in both Austria and the Czech Republic busy. Our lawyers in the Czech Republic have also advised our clients on a significant number of M&A transactions, in particular in the IT, energy, pharmaceuticals, and healthcare sectors.

The rebound of the commercial real estate market in Poland has generated various workstreams for our transactional teams. We have also advised several Polish companies active in Ukraine's reconstruction efforts and seen an uptick in tech sector disputes as well as energy transition projects – an area in which we have strengthened our capabilities this year with the addition of Agnieszka Skorupinska in Warsaw.

In Ukraine, we had a strong focus on transactions in the infrastructure, energy, and agricultural sectors, along with banking regulatory work and sanctions compliance advice for both international and domestic businesses.

CEELM: What are the sectors or industries poised for growth in CEE?

Fast: The CEE markets' competitive edge has long been rooted in the manufacturing sector. The Czech Republic, Poland, and Hungary consistently rank among the top industrial performers globally, with Hungary poised to be Europe's number one battery cell producer by 2026. While Europe's electric vehicle (EV) market saw a slowdown in 2024, the CEE region is expected to see growth through investments, in particular in the Czech Republic.

At the same time, the growth model of the region is evolving, with a gradual shift toward higher value-added services. For instance, the technology sector – particularly AI and digital services – is rapidly expanding in Hungary, the Czech Republic, and Austria. The defense, military technology, and advanced manufacturing sectors, including drone technology, also present new opportunities.

Despite the ongoing conflict, Ukraine's infrastructure shows significant growth potential by 2033. Polish companies are already investing in Ukraine, leveraging cultural proximity and knowledge in public procurement in sectors such as energy, transport, and construction.

Lastly, the energy sector will continue to grow in the region, with a focus on renewables, nuclear energy, and modern energy infrastructure development, in particular in Poland, Hungary, Austria, and the Czech Republic. This is driven by a combination of EU sustainability goals and national initiatives.

CEELM: What are the most promising markets in CEE? What about the most challenging?

Fast: Poland's economy is projected to grow by 4% in 2025. Over the past three decades, the country's rapid GDP per capita growth has made it a prime destination for FDI, particularly in the EV supply chain. Its strong industrial base, growing tech sector, and strategic location make it a promising market.

Meanwhile, in light of the ongoing war, Ukraine is currently the most challenging market but is also likely to present significant opportunities in the longer term. The country's legal and institutional framework, along with its natural and human resources, make it a promising market for reconstruction-focused investment, particularly in the energy and transport sectors, as well as investment in its titanium and lithium resources.

At a macro level, financing costs and regulatory hurdles across the region continue to pose significant challenges. Embracing innovation and new technologies will be pivotal in evolving the growth model and driving future economic development.

CEELM: What is your perspective on international companies in CEE? How will their presence evolve?

Fast: The presence of international companies in the CEE region is expected to grow, building on what global businesses already see as a favorable environment. Investment volumes across the CEE-6 region reached EUR 5 billion in 2024, with Turkiye alone recording USD 417 million in FDI inflows via equity capital. This is driven by the CEE's proximity to major markets and the region becoming a hub for manufacturing sectors such as electronics, machinery, and high-value goods, and a destination for Shared Service Centers and Business Service Centers (BCSs). More than 200 multinational corporations operate BCSs in Hungary alone.

Several elements suggest that this trend will continue, although global geopolitical risks may slow the pace of international expansion. The International Monetary Fund predicts that the CEE region's real GDP growth will surpass the G7 average by 2027, and industrial production is expected to grow at an average rate of 2.8% from 2025 to 2030. More tech giants are establishing themselves in the region too, making CEE a hub for research and development activities with Poland, the Czech Republic, and Hungary being particularly attractive. The region is also a nearshoring hotspot for multinational companies, offering advantages such as geographical proximity, business resilience, and greenfield opportunities.

CEELM: What types of work do you expect to see the most in the next 12 months in CEE?

Fast: Although high interest rates and inflation remain challenging, the CEE region's strengths, adaptability, and market maturity provide a solid foundation for growth. From an M&A perspective, we anticipate the value of deals will increase, with a focus on larger, strategic investments.

Nearshoring will continue to attract FDI, particularly in higher value-added sectors such as IT and business services. There will also be continued emphasis on attracting strategic investments in sectors like digital infrastructure, clean technologies, and AI, which are crucial for maintaining competitiveness and fostering innovation. This will pick up in Hungary, the Czech Republic, and Poland, where the ICT sector is expanding due to digitalization and their skilled workforce.

It is also important to recognize the impact of global dynamics on regional activity. The global energy transition remains a focal point across the entire region, with significant investments in renewables, nuclear projects, and infrastructure modernization on the horizon. Meanwhile, Austria will likely see more distressed M&A opportunities, particularly in sectors such as retail, hospitality, startups, and manufacturing, which are more vulnerable in the current economic context.

Despite global shifts, some regional sectors will maintain strong momentum. Hungary's automotive industry, a cornerstone of the economy, will see steady growth even amid uncertainties. Poland's real estate market – in particular in terms of office spaces and ESG upgrades – is also projected to remain robust, reflecting sustained investor confidence and demand.

MARKET SPOTLIGHT: UKRAINE

ACTIVITY OVERVIEW: UKRAINE

The Firms with the most Deals covered by CEE Legal Matters in Ukraine between December 15, 2023, and December 15, 2024.

1.	Sayenko Kharenko	22
2.	Avellum	17
3.	CMS	8
	Integrites	8
5.	Asters	6

The Partners with the most Deals covered by CEE Legal Matters in Ukraine between December 15, 2023, and December 15, 2024.

1.	Igor Lozenko	12
2.	Glib Bondar	8
3.	Ihor Olekhov	5
4.	Alyna Plyushch	4
	Mykola Stetsenko	4
	Mykyta Nota	4
	Olga Belyakova	4

SHIELDING INVESTMENTS: WAR-RISK INSURANCE IN UKRAINE

By Teona Gelashvili

In the midst of ongoing conflict, one solution is emerging that could be a crucial factor in attracting foreign investment to Ukraine: war risk insurance. Asters Senior Partner Armen Khachaturyan, Dentons Partner Adam Mycyk, Integrites Partner Igor Krasovskiy, and Redcliffe Partners Managing Partner Olexiy Soshenko discuss how this specialized insurance product is shaping the investment landscape.

"A Gap-Filling Insurance Product"

"Since the outbreak of full-scale war, only direct damage to public and private sectors in Ukraine has reached over USD 150 billion, let alone indirect losses and additional expenses needed for the recovery needs," Krasovskiy begins.

"An ongoing war, with nearly 3 years of destruction of critical infrastructure, typically doesn't draw your average risk-averse investor to any country," Mycyk adds. As a result, "investments in Ukraine have been limited, significantly constraining the potential for economic growth," Soshenko agrees. "One of the primary challenges for foreign investors is the lack of political or war-time risk insurance to protect their assets in Ukraine."

"Standard insurance policies typically exclude risks associated with wartime scenarios, such as missile or drone attacks, property losses due to occupation, and related damages," Soshenko observes. Krasovskiy says that "unfortunately, most of the insured companies are unable to recover their losses as the

Adam Mycyk,
Partner,
Dentons

standard pre-war insurance products expressly excluded the coverage for damages caused due to political violence. Surprisingly, even rare holders of political violence insurance policies have struggled with receiving compensation from insurers. Naturally, even risk-taker investors, who are brave enough to invest during wartime, are anxious to reduce their exposure to war risk."

War-risk insurance, "unlike standard commercial insurance policies that traditionally exclude losses caused by war, has become a tool to help mitigate risk exposure for investors," Mycyk continues. "As a gap-filling insurance product, it aids in unlocking capital and enabling reconstruction efforts."

Consequently, "war-risk insurance is crucial for attracting foreign investment to Ukraine at the time of its lasting war with invading Russia," Khachaturyan notes. "It provides for investors' financial security thus incentivizing investments badly required for reconstruction of Ukraine's industry, transportation, housing, and energy ruined or damaged during the war. It can also improve the resilience of local businesses suffering from Russian military attacks."

Armen Khachaturyan,
Senior Partner,
Asters

Key Elements

In terms of what is included, Khachaturyan explains that "in September 2024 the Ministry of Economy and the National Bank of Ukraine submitted the draft *Law on the System of War Risk Insurance*, providing for establishing a nationwide insurance system to compensate losses incurred by individuals and companies as a result of military actions in Ukraine. The bill also provides for the establishment of the State Agency for War Risk Insurance, which will be responsible for implementing the policies on assessing and managing war risks."

Igor Krasovskiy,
Partner,
Integrites

War-risk insurance, Khachaturyan clarifies, "covers a wide range of risks, from physical destruction to business interruption. The specific elements of this type of insurance depend on a particular insurer."

Distinct from standard insurance, Soshenko elaborates that war-risk insurance typically includes: (a) coverage for damages caused by hostile actions, such as military operations, missile strikes, and drone attacks, (b) compensation for property loss or profit loss due to occupation of territories where assets are located, and (c) coverage for injuries or fatalities of personnel working near conflict zones.

Mycyk adds that two key categories of insurance products are primarily being offered: "Political Violence Insurance – covering losses from physical damage caused by war, terrorism, riots, or civil unrest," and "Political Risk Insurance – protecting financial components of investments by covering risks like expropriation, currency inconvertibility, debt defaults, and government actions."

Olexiy Soshenko,
Managing Partner,
Redcliffe Partners

Role of International Institutions

In this context, "international financial and development institutions play a pivotal role, particularly given the limited capacity of local insurers and Ukraine's classification as a red zone by foreign reinsurers," Soshenko explains. "Notable initiatives include the EBRD's collaboration with Aon to launch a EUR 110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million guarantee for Ukraine war-risk insurance" and "DFC's reinsurance facility for ARX, offering up to USD 50 million in political risk insurance."

"Although local insurers still have very limited access to the global reinsurance market, they offer war risk coverage to businesses and SMEs," Krasovskiy continues. "The caps on such insurances rarely exceed USD 1 million per insured and the assets located near critical infrastructure or closer than 100 kilometers to the frontline are uninsurable. However, thanks to an up to USD 350 million reinsurance facilities mechanism of the DFC, devised in collaboration with Aon, local insurers are expected to raise the limits up to USD 1.5 million per location and considerably expand their insurance portfolios."

"International and multilateral organizations, international and development finance institutions, and export credit agencies took the lead by working with private insurers to expand offerings," Mycyk agrees. "While some global insurers are beginning to offer policies, premiums and terms remain highly variable. The Ukrainian government is also working to incentivize insurance solutions, including through Ukraine's own Export Credit Agency." Additionally, he notes that "IFIs/DFIs and ECAs are playing a pivotal role by offering financial guarantees and risk mitigation tools," as these organizations "offer investment guarantees to reduce perceived risks for private investors, partner with private insurers to expand war risk insurance capacity, and support Ukrainian government initiatives to develop sustainable insurance markets."

Khachaturyan also draws attention to international organizations that have contributed to war-risk insurance initiatives in Ukraine. "The Multilateral Investment Guarantee Agency (MIGA) provides political risk insurance and credit enhancement to private sector investors and lenders," he emphasizes. "It also protects investments against non-commercial risks and can help access financing on improved terms. Since the beginning of the war, MIGA has provided over USD 215 million to support businesses in Ukraine." Additionally, "The US International Development Finance Corporation provides political risk insurance, as well as loans, loan guarantees, and direct equity investments. It is now considering establishing a permanent office responsible for military risk insurance in Ukraine. In June 2024, the DFC announced a package of USD 357 million for political risk insurance in Ukraine."

Furthermore, Krasovskiy says, "Marsh McLennan, Lloyd's, and the Ukrainian government have launched a so-called 'Unity insurance facility' to provide affordable war risk insurance for ships carrying all non-military cargo."

War-risk insurance is crucial for attracting foreign investment to Ukraine at the time of its lasting war with invading Russia. It provides for investors' financial security thus incentivizing investments badly required for reconstruction of Ukraine's industry, transportation, housing, and energy ruined or damaged during the war. It can also improve the resilience of local businesses suffering from Russian military attacks.

What To Expect

Looking ahead, Khachaturyan highlights that "Ukraine's investment attractiveness was always based on its geographical location, favorable climate, abundant natural resources, and pursuit of integration into the EU. Based on a recent survey of the European Business Association in Ukraine, Ukraine's Investment Attractiveness Index has slightly improved in 2024, but the war remains the main negative factor affecting the investment climate. The efficient and transparent war-risk system should stimulate international investors to enter the market, giving them not only an opportunity to recover damages but the confidence to do business in the warzone."

Soshenko also underlines the need for additional measures, including "amending the cross-border payments moratorium (*NBU Regulation No. 18* dated February 24, 2022) to enable non-resident insurers and reinsurers to enter the Ukrainian market," and "adjusting regulatory requirements to provide greater assurance to market participants."

"It is unlikely that a robust insurance market in Ukraine can be created without the involvement of global private reinsurers," Krasovskiy adds. "The government in collaboration with international organizations should encourage and incentivize global reinsurers to re-engage on the Ukrainian war risk which is a crucial pre-condition for private investments to flow in Ukraine."

Mycyk believes that war-risk insurance is, "just one tool available to scale investment flows into Ukraine." Additionally, "complementary incentives, such as tax breaks, investment guarantees, and financing support for insured projects can help further reduce perceived investment risks. The effectiveness of war-risk insurance often relies on international guarantees and support – if this support diminishes, the availability and affordability of insurance could be adversely affected."

MARKET SNAPSHOT: UKRAINE

Ukraine's Financial Market Resilience in 2024

By Igor Krasovskiy and Oleh Zahnitko, Partners, Integrites

In 2024, the financial market in Ukraine has remained resilient and stable even though the Russian full-scale military aggression against Ukraine approaches its third anniversary. This has been possible due to the continuing financial support coming from Ukraine's allies and international donors. Notably, G7 leaders have recently announced a USD 50 billion lending package for Ukraine to be repaid with revenues from Russian frozen assets.

In 2024, the European Commission started disbursing a EUR 50 billion Ukraine Facility to provide mixed financing for the public and private sectors in Ukraine. This is another significant milestone that is expected to bring private investments to the country along with funding needed for urgent public projects. At the same time, international finance institutions and development banks have doubled their investments in energy, infrastructure, and agriculture industries. Banks and financial institutions have received substantial support in the form of risk-sharing facilities from international donors to finance SMEs and export trade. Also worth mentioning is the invaluable financial and technical assistance provided by USAID, GIZ, and other governmental and non-governmental institutions toward developing sound policies and a framework for financial markets.

2024 was also marked by the emergence of breakthrough war risk insurance products in Ukraine. In particular, DFC has provided a USD 50 million reinsurance facility for ARX, a subsidiary of Fairfax Financial, which is the first part of a larger USD 350 million war risk insurance mechanism for Ukraine. Another vivid example is EBRD's commitment to providing EUR 110 million loss-covering guarantees to global reinsurers underwriting war risks in Ukraine. The Ukrainian government has also proposed a new law specifically regulating the insurance of war risks by the State Agency for War Risk Insurance to be established soon. In addition, the Ukrainian Export Credit Agency has successfully issued EUR 48 million in guarantees to protect investments in Ukraine against war risks. Finally, export credit agencies are set to continue backing new foreign equity investments in Ukraine against political violence risks. It looks like the last missing piece of the puzzle is coming into place for risk-averse foreign investors to change their minds and pour investments into Ukraine.

Generally, the last 12 months gave cautious hope to capital markets players. Sovereign borrowings set the baseline. Foreign and local currency domestic government bonds (so-called "War Bonds") have remained popular among investors thanks to their relatively high interest rates and their "good deed" vibe of fending off Russian and Belarussian aggression supported by assault weapons and troops by Iran and North Korea. Approximately USD 20.5 billion of Eurobonds and the state-guaranteed debt of the State Agency for Restoration and Development of Infrastructure (ex-Ukravtodor) were successfully restructured with a significant cut of principal and a reduction of the coupon. Later, new sovereign Eurobonds backed by economic growth expectations rolled out, and investors lent money in exchange for 2027 cash flows, with excitement picking up after Donald J. Trump became president-elect on a vague promise to quickly stop the war against Ukraine.

For the first time since 2021, the Ukrainian corporate sector issued private bonds, starting with NovaPay, which, in 2024, placed UAH 300 million in unsecured bonds. Earlier in Q1, the securities regulator allowed law firms to become trustees, adding them to banks and other financial institutions as the fallback option, thus expanding the investor base free of conflict of interests. In Q2-Q4, Integrites proudly helped devise Novus's innovative UAH 400 million mortgaged-backed trustee bond issue – our firm became the first ever trustee beyond financial sector licensees.

Riding the market trend, the securities regulator issued the new *Corporate Bond Issuance Regulation* in Q3 2024, effective in parallel with the 2018 general regulations. The new act clarifies aspects of specialized bonds' issuance, administration, and circulation. A negative, albeit expected, development happened in November 2024, when Ukrenergo, the country's electricity transmission system operator, suspended payments and declared technical default on the country's first green and sustainability-linked Eurobonds due in 2028.

Noteworthy, the National Securities and Stock Market Commission is put in liquidation and a new entity with the same name is being set up after Ukraine's *Securities Market Authority Act* was adopted in Q1 2024 to meet the *EU acquis* benchmarks.

Upcoming PPP Overhaul To Follow Industrial Parks Legal Framework

By Maksym Maksymenko, Partner, and Rostyslav Mushka, Senior Associate, Avellum

The past year has demonstrated that an ongoing conflict is not an obstacle to development and investment. Despite infrastructure being targeted by shelling, Ukraine's real GDP grew by 4% in the first nine months of 2024, with expectations that this figure will reach 4.3-4.6% in the coming years. To maintain this growth, Ukraine must actively engage private investments to rebuild its damaged infrastructure and assets.

In this article, we focus on two key areas currently receiving significant attention in Ukraine: (i) the overhaul of the public-private partnership (PPP) legal framework and (ii) the rapid expansion of industrial parks.

Upcoming PPP Overhaul

The Ukrainian Parliament is currently preparing for the second reading of *Bill No. 7508*, titled *On Amendments to Certain Legislative Acts of Ukraine to Improve the Mechanism of Private Investments Attracted under the Public-Private Partnership Mechanism to Accelerate Restoration of Objects Destroyed by War and Construction of New Objects Related to Post-war Rebuilding of the Ukrainian Economy* (Bill).

The Bill was developed under tight deadlines in 2022 to address two main objectives: (i) further enhancing Ukraine's PPP regulations following the successful reform in 2019, and (ii) establishing a viable and efficient PPP framework for rebuilding efforts. The Bill was adopted in the first reading on October 6, 2022, and has since undergone additional scrutiny and review by both Ukrainian lawmakers and European industry experts.

Among other changes, the Bill introduces an electronic system for procurement of PPP projects, foresees the development of standard tender documentation and agreements, and makes other general improvements to the framework to align it with industry best practices.

More significant changes include the categorization of PPP projects into three types: (i) "minor" PPP projects with a value not exceeding EUR 5.538 million, (ii) "rebuilding" PPP projects, and (iii) other types of PPP projects. A key difference here is the removal of the requirement for a feasibility study for "minor" and "rebuilding" PPP projects. Typically, developing a feasibility study takes around a year, so this change will significantly shorten the time needed to prepare such projects for procurement.

Another major change is the expanded scope of PPP applications, which will also cover residential construction. This expansion aligns with the introduction of rebuilding PPP projects, which focus on restoring war-damaged infrastructure and real estate and benefit from a simplified procurement process. The Bill introduces dedicated lists of rebuilding PPP projects and special commissions responsible solely for organizing tenders and acting as a single point of contact for potential private partners. Additionally, the Bill allows for the shortlisting of private partners to further streamline the procurement process of rebuilding PPP projects.

These changes are expected to be widely welcomed, as PPPs are considered one of the key tools for the reconstruction of Ukraine's infrastructure damaged and destroyed during the war.

Rapid Development of Industrial Parks

Industrial parks are essential for infrastructure development, offering businesses a centralized space with access to efficient transportation, utilities, and communication networks.

In recent years, there has been a notable increase in the establishment of industrial parks, with 31 new parks registered in 2024 alone, bringing the total number to 99. This surge in interest can be attributed to the finalization of the legal framework. It now includes comprehensive laws and bylaws, and the attractive benefits that industrial parks offer to their participants. These benefits include full or partial compensation of loan interest rates for the development of industrial parks (unfortunately, this benefit does not apply during the period of martial law), non-refundable financing for park development, and/or compensation for connecting to engineering grids (non-refundable financing), exemptions from corporate income tax, value-added tax, and customs duties, as well as reduced real estate and land taxes.

The Ukrainian Government allocated approximately EUR 23 million in the 2024 state budget to provide non-refundable financing. Most of these funds have already been distributed across various industrial parks. Although, as of now, the 2025 state budget does not provide funds specifically for non-refundable financing, it allows the government to reallocate income from certain other sources to support this and other forms of state aid.

Industrial parks are becoming a cornerstone of Ukraine's infrastructure development, driving investment and economic recovery through their strategic benefits and state support. As the regulatory framework improves and interest continues to grow, industrial parks will play a pivotal role in driving the infrastructure development of the country.

Agrarian Notes: A New Digital Tool for Attracting Financing in the Agricultural Sector

By Borys Lobovyk, Partner and Head of Law Practice, and Nataliia Shevchenko, Tax & Law Practice Manager, EY Law Ukraine

Simplifying access to financing for farmers can increase the productivity and profitability of the industry, allowing producers and processors of agricultural products to invest in the latest technologies and innovative solutions, enhancing efficiency.

Supporting the agricultural sector, stimulating the growth of domestic production, and strengthening Ukraine's food security were key priorities underpinning the introduction of agrarian notes as a new instrument that became available for the market as of January 2025.

This reform was a good example of applying a *lessons-learned* approach as a lot of attention was paid to such angles as new technology, accessibility, and convenience of the issuance and circulation of relevant financial instruments.

Agrarian Notes in a Nutshell

An agrarian note is a security that records the unconditional obligation of the debtor (producer or processor of agricultural products), secured by collateral, to either deliver agricultural products or pay the relevant amounts on terms agreed upon between the debtor and the creditor. The debtor can be an individual or a legal entity that owns or uses an agricultural land plot. It is expected that creditors will typically be suppliers, distributors, banks, traders, and processors of products. Creditors can be both local and foreign investors.

Business Models for Using Agrarian Notes

An agrarian note can not only be used as a tool for attracting financing but also for making payments under contracts. Unlike previous instruments linked to agricultural products, agrarian notes have a broader use as they may be transferred free of charge by the owner, sold, inherited, etc.

Collateral for Agrarian Notes

An agrarian note involves the pledge of future agricultural products, which may include crops, livestock, and/or primary processing products. This provides financing opportunities for a wide range of agricultural producers. Moreover, the performance of obligations under an agrarian note can be additionally secured by any type of eligible collateral. The collateral for an agrarian note can be insured by the creditor or the debtor, as agreed between the parties. If the creditor is designated as the beneficiary under such an insurance contract, the creditor's receipt of the insurance payout is set off against the debtor's obligation.

Mechanisms for Protecting Creditor Rights

If the received agricultural products are insufficient to fully fulfill the debtor's obligations, any other agricultural products produced on the respective land plot become collateral for the agrarian note until the obligations are fully performed unless otherwise agreed between the debtor and the creditor. In case of loss of the agricultural products that are the collateral for the agrarian note, the debtor is obliged to replace the collateral with other identical or similar property by agreement with the creditor. Otherwise, the creditor may foreclose on any other agricultural products produced on the respective land plot.

Additionally, the creditor may accelerate the debt through the court. The creditor has the right to oversee the adherence to the technology of producing the agricultural products that are the collateral and may independently or by engaging third parties complete the production cycle of such products in case of a technology breach.

Technological Procedure for Issuing and Circulating Agrarian Notes

An agrarian note is issued and exists in electronic form, recorded in a securities account in the depository system, with the details of the agrarian note reflected in the Agrarian Notes Register. The registration of agrarian notes in the depository system provides access to organized capital markets, which allows transactions with agrarian notes to be conducted on the organized market and potentially expands access for foreign creditors through correspondent relationships of the Central Securities Depository.

The Agrarian Notes Register is maintained by the Central Securities Depository, which exercises control over the process of issuance of agrarian notes through electronic information exchange between the Agrarian Notes Register and state registers. The Agrarian Notes Register has electronic cabinets for all relevant parties, providing the necessary functionality for them to exercise their rights and obligations.

Enhanced Mechanism for Forced Execution

In order to enforce obligations under agricultural receipts, the creditor generates a special extract from the Agrarian Notes Register and instructs the Central Securities Depository to submit it for execution through electronic interaction with the automated enforcement system.

Ukrainian M&A Market Showing Signs of Recovery

By Andriy Romanchuk, Partner, Avellum

As Ukraine continues to resist the Russian Federation's invasion, its M&A market in 2024 demonstrates both resilience and adaptability. While the early months of the full-scale war in 2022 likely represented an all-time low for dealmaking, today's landscape appears far more dynamic. Although reaching and surpassing pre-war levels of activity will take time, the market is showing clear signs of recovery.

Domestic Buyers and Outbound Ventures

Ukrainian buyers continue to make their mark across a range of sectors. Local businesses have proven impressively resilient. Rather than merely holding their ground, many are actively pursuing strategic acquisitions in energy, fuel retail, manufacturing, building materials, and agriculture, among other industries. Building on past trends, Ukrainian companies this year continue to look outward. Instead of waiting passively for foreign investment to return, several businesses are exploring opportunities in foreign markets, with Poland and Romania emerging as popular destinations. These outbound transactions serve as a pathway to sustainable business growth.

Global Defense Companies and Venture Capital: A Growing Footprint

Another positive development in 2024 is the arrival and expansion of large international defense companies into Ukraine. Global players such as Rheinmetall, KNDS, and Roshel are partnering with local defense firms to set up production and repair facilities. Although still cautious, these strategic moves signal the long-term potential they see in Ukraine's manufacturing and defense infrastructure. Simultaneously, venture capital interest in the defense technology sector is on the rise. From autonomous systems, drones, and robotics to dual-use technologies, the scope of innovation is broadening. Among the pioneers in this space, MITS Capital, D3 Venture Capital, Green Flag Ventures, and Darkstar are actively investing in Ukrainian defense startups. Deals involving companies like Himera, Swarmer, and Zvook highlight a growing confidence in Ukraine's ability to deliver technological solutions tailored to the complexities of modern warfare. These funds not only provide essential capital but also foster strategic connections that can help Ukrainian firms scale beyond their home market.

Telecommunications, Technology, and Real Estate

Several noteworthy deals have emerged in the telecommunications and real estate sectors. NJJ Holding, the investment firm owned by Xavier Niel, led a consortium on the acquisition of Datagroup-Volia, Ukraine's leading fixed telecom and pay TV provider, and Lifecell, the third largest telecom operator in Ukraine. Horizon Capital played a major role in getting this deal done, while EBRD and IFC provided USD 435 million in financing for this transaction. Another significant deal is the USD 200 million investment raised by Creatio, a leading no-code platform for automating CRM and enterprise workflows. The round was led by Sapphire Ventures with existing investors Volition Capital and Horizon Capital also participating in the round. These investments show sustained interest in Ukraine's digital and communication infrastructure.

In real estate, prominent deals – such as the acquisitions of Parus Business Center and Hotel Ukraine in Kyiv – reflect renewed confidence in the country's core commercial assets. Similarly, the purchase of West Gate Logistic by the retail chain Avrora demonstrates a growing attention to logistics and supply chain resilience, which has gained particular importance in the current regional security climate. Finally, Dragon Capital acquired the Karavan Outlet shopping mall – the largest outlet destination in the capital – from DCH Investment Management.

Agriculture

The agricultural sector continues to show impressive endurance. Strategic acquisitions like MHP SE's purchase of Ukrainian Meat Farm LLC indicate that businesses are investing not just to weather the storm but to strengthen their overall market positions.

Banking

In October 2024, TAS Group, led by Ukrainian businessman Serhiy Tihipko, agreed to acquire 100% of Idea Bank Ukraine from Poland's Getin Holding for a base amount of USD 34 million, which might signal a renewal of M&A activity in the banking sector as well.

Conclusion

Looking ahead, we are cautiously optimistic. While the war has introduced an undeniable layer of complexity and difficulties, Ukraine's M&A market in 2024 reveals a remarkable capacity for adaptation and renewal. Domestic companies, whether solidifying their presence at home or seeking opportunities abroad, are actively shaping the market's trajectory. As stability improves, we anticipate a steady return of foreign strategic buyers, adding another dimension to Ukraine's evolving M&A ecosystem. If these trends continue, Ukraine appears poised for a more vibrant and sustainable economic recovery once peace and stability are ultimately restored.

INSIDE INSIGHT: NATALIA LYSA OF NESTLE

By Teona Gelashvili

Nestle South Eastern Europe Head of Legal & Compliance Natalia Lysa discusses her career, the rewards of working closely with business operations, and the challenges of navigating legal complexities during Ukraine's war.

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

Lysa: I'm a mom of two boys and a corporate in-house lawyer leading the legal and compliance function for South-Eastern Europe at Nestle, which is one of the three large companies I worked for. My background is somewhat diverse. I first studied accounting, though I've never worked as an accountant. I also have a legal background, and later I studied corporate governance. Learning is my big passion and driver, so who knows, it's very likely that this list will be continued. Earlier in my career, I served as an assistant to a judge, but I have worked entirely in-house since then. Before joining Nestle, I worked with a mix of local and international teams at Danone and AES Corporation. Over the years, I grew into roles like Manager, Director, Head of Legal, and Compliance Officer. I even held the title of General Secretary, which involved overseeing legal, compliance, public affairs, regulatory, security, and communications. I view myself as a lawyer and a manager of legal and compliance functions, with my diverse experience shaping my approach.

CEELM: What drew you to the in-house world and why have you stayed?

Lysa: Staying in-house was a choice I made consciously. I love being part of a business and seeing projects through from start to finish. For example, we're currently building a new factory

In Ukraine, we have a large Nestle Business Service center in Lviv, which acts as a hub for routine legal tasks like claim validations. This center serves over 40 countries globally, and despite the war, it remains one of Nestle's most efficient hubs. This reflects the strong trust Nestle places in Ukraine's resilience and capabilities.

in Ukraine – one of the largest Nestle investments in the region – and securing a EUR 40 million investment was part of the process. External lawyers helped at the contract stage, but I've been here throughout, overseeing every phase. There's a sense of pride in seeing the products on the shelves, especially when my kids try them and give feedback. That's the beauty of working in our industry – you're a driver, not a passenger, not a consultant. The variety in my day keeps it exciting. While legal work is a part of it, much of my time is spent managing teams, projects, and external counsel. The complexity ensures there's always something new, even when I think nothing can surprise me anymore.

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

Lysa: Our legal, compliance, and security team for Southeast Europe covers 11 geographies across five hubs: the North Hub in Croatia, the South Hub in Serbia, the Romania Hub, the Bulgaria Hub, and the Ukraine & Moldova Hub. I lead the team based in Kyiv, but we operate without a traditional head office. In total, excluding security, we're about 20 people. To optimize operations, we challenge ourselves to simplify processes continuously. For example, in Ukraine, we have a large Nestle Business Service center in Lviv, which acts as a hub for routine legal tasks like claim validations. This center serves over 40 countries globally, and despite the war, it remains one of Nestle's most efficient hubs. This reflects the strong trust Nestle places in Ukraine's resilience and capabilities.

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

Lysa: Last year for us was a year of transformation. We created the new South-Eastern Europe region, redefined roles and priorities, and settled the team into this new structure. The war in Ukraine has been a constant challenge, impacting everything from mobilization and damages to regulatory limitations. Despite this, we managed to move forward with major projects, including building a factory that will produce noodles in Ukraine, new confectionary lines in Sofia, and a meat substitute factory in Serbia – important innovations for Nestle. Tax authorities in Romania and Ukraine have been particularly demanding, but we dedicated significant effort to proving our compliance and standing firm in our position.

Looking ahead, we'll continue to focus on these strategic projects while managing the realities of war. Our radar is also tuned to evolving regulations and business needs in the region.

CEELM: How do you decide if you're outsourcing a project or handling it in-house?

Lysa: We prioritize doing work in-house whenever possible. I'm fortunate to have inherited a highly skilled team that understands our business deeply. This expertise allows us to handle most projects and initiatives internally. We know the responsibilities, timelines, and nuances better than anyone. However, for certain specialized projects or in countries where we lack internal resources, we turn to external counsel.

CEELM: When picking external counsel, what criteria do you use?

Lysa: Reputation is the most important factor, though not necessarily based on top-tier rankings. These days, there are countless ratings, and it's hard to trust them entirely. We rely more on recommendations from other in-house lawyers. Price isn't the primary driver either. It's about finding reliable, skilled counsel. We're also conservative in our relationships – if we've had a good experience with a firm, we prefer to continue working with them rather than switch for the sake of change.

CEELM: What do you foresee as the main challenges for GCs in Ukraine in the near or mid-term future?

Lysa: The war has become a grim reality, and we've adapted to operating amid air raid alarms and disruptions. It's not easy, but the systems we've built allow us to function effectively. That said, we remain optimistic about the end of the war – it's a wish we carry into every new year.

When the war ends, it will bring a professional disruption of its own. Everything will need to change to adapt to a new normal. This will be a monumental challenge, but it's one we're ready to face because it will come with the peace we've all been longing for – not just for Ukraine but for Europe as a whole.

KNOW YOUR LAWYER: IGOR LOZENKO OF SAYENKO KHARENKO

Career:

- Sayenko Kharenko; Partner; 2020-present
- Sayenko Kharenko; Counsel; 2017-2020
- Avellum; Counsel; 2016-2017
- Avellum; Senior Associate; 2016
- Sayenko Kharenko; Senior Associate; 2013-2015
- Sayenko Kharenko; Associate; 2007-2013

Education:

- School of International Law, Kyiv International University; LL.M.; 2008
- King's College London; LL.M. in International Financial and Commercial Law; 2022

Favorites:

- Out-of-office activity: travelling; sailing; playing squash
- Quote: "The more I learn, the more I realize how much I don't know" – Albert Einstein
- Book: *Martin Eden* by Jack London
- Movie: *The Talented Mr. Ripley* (1999) by Anthony Minghella, and equally, the 2024 series adaptation

Top 5 Projects:

- Advising J.P. Morgan on USD 22.5 billion consent solicitation by Ukraine in relation to 13 series of its outstanding Eurobonds and GDP-linked securities
- Advising Landesbank Berlin on EUR 245 million financing for constructing two stages of the 200-megawatt Botievo wind farm by Wind Power, the renewables segment of DTEK, Ukraine's largest energy holding
- Advising Deutsche Bank, ING, Natixis, and UniCredit on the USD 1.592 billion Eurobond issue coupled with the cash tender offer and consent solicitation to refinance existing Eurobonds of Metinvest, one of the largest steel producers
- Advising BNP Paribas, Deutsche Bank, Goldman Sachs, and Ukreximbank on the debut USD 825 million state-guaranteed ESG Bond issue by Ukrenergo, the state-owned electricity transmission system operator, to finance repayment of "green" tariff debts in the system
- Advising the *ad hoc* bondholders committee on the USD 2 billion long-term restructuring by DTEK, resulting in the conversion of all existing bond and bank debt into new Eurobond issues implemented through two inter-conditional schemes of arrangement sanctioned by English courts

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

Lozenko: Throughout my career, I've had the opportunity to work on a wide range of loan financings, international capital markets transactions, and debt restructurings involving major Ukrainian corporates, as well as sovereign and quasi-sovereign borrowers. These transactions were always highly complex and varied, each posing unique challenges, making it difficult now to single out one as the most challenging above all others. That said, the real test came with the start of the full-scale invasion of Ukraine. Every project completed within a war setting brought its own set of challenges. We had to reinvent our approach to deal-making, working under unprecedented circumstances with air raid sirens in the background, unstable internet connections, and the need to ensure business continuity while prioritizing the safety of our team.

Still, from my most recent practice, I would distinguish one project finance deal in the renewables sector (the details of which remain confidential). In addition to the typical complexities of project finance and the need to adapt the structure to the restrictive currency controls under martial law, a massive Russian cyber-attack took down all public registers in Ukraine the night before the security documents were registered as final conditions precedent. We had to quickly adapt, working through unforeseen hurdles to meet critical deadlines.

CEELM: And what was your main takeaway from it?

Lozenko: The key takeaway is that legal expertise alone may not be enough. What could be decisive is your ability to adapt to extreme circumstances while maintaining an unwavering commitment to client service. Crises reveal not just professional capabilities but also human resilience.

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

Lozenko: I have worked with Michael Kharenko since the very start of my career, and I think he has been instrumental in shaping my professional development. What stands out about his mentorship is not just the legal expertise he shared but also his ability to see the bigger picture in every situation. I learned from him that being a great lawyer isn't just about knowing the law – it's also about understanding business realities, anticipating market trends, and, most importantly, building trust with clients.

CEELM: Name one mentee you are particularly proud of.

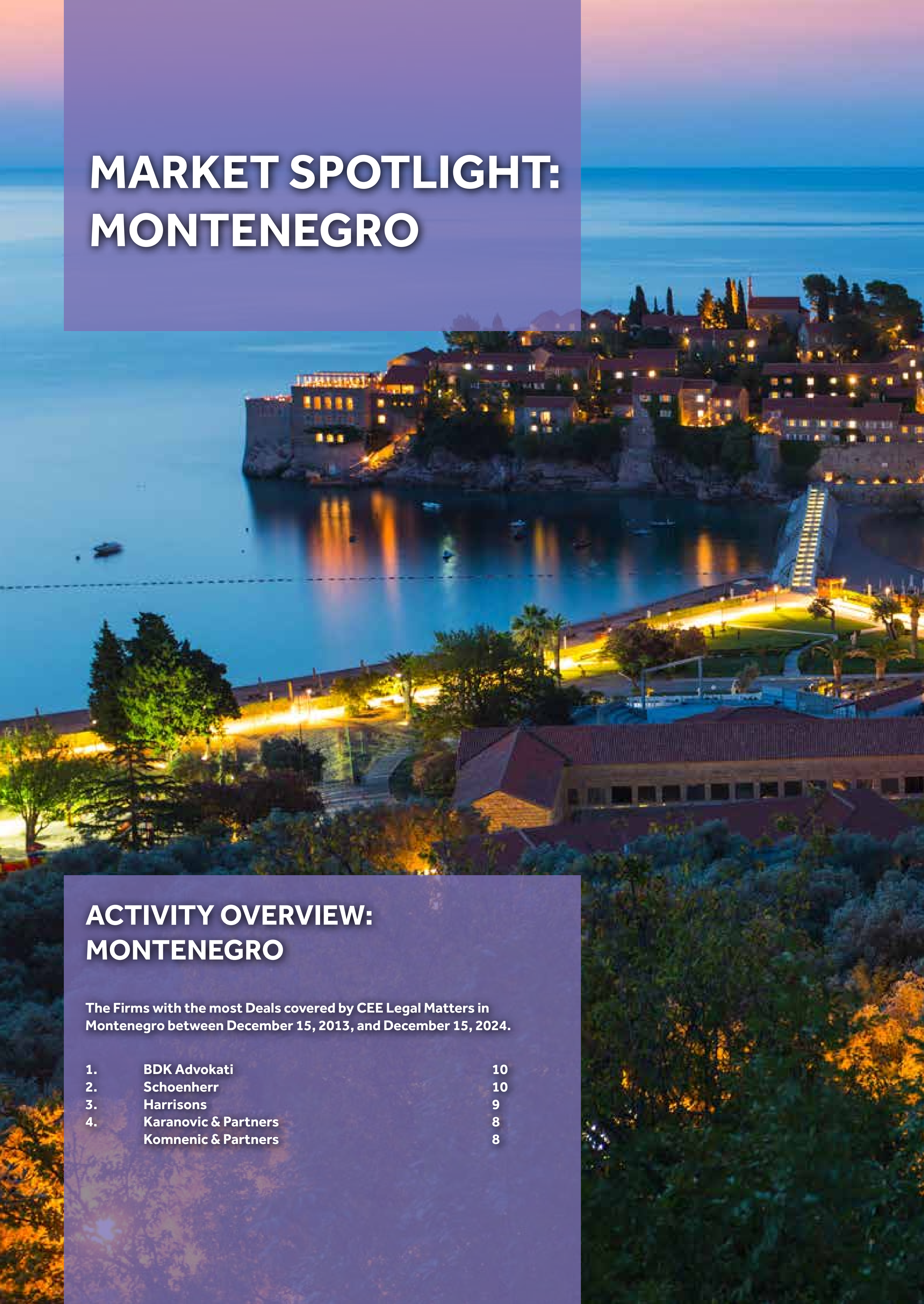
Lozenko: I've had the privilege of mentoring many talented lawyers, and one of the mentees I'm particularly proud of is Oles Trachuk. I first met Oles when he joined as a Junior Associate, and watching his growth has been incredibly rewarding. What makes me particularly proud is his technical excellence and how he's developed his unique approach to client relationships and team leadership. He's now managing complex international transactions and mentoring others, perhaps the greatest satisfaction a mentor can have.

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

Lozenko: I am a licensed skipper. Boat sailing has enhanced my ability to perform under pressure, anticipate potential obstacles, and adapt quickly.

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

Lozenko: Don't just focus on legal knowledge – invest time in understanding business, developing emotional intelligence, and building trusted relationships. Technical expertise is just the foundation. Your ability to connect with people and understand business needs will define your success.



MARKET SPOTLIGHT: MONTENEGRO

ACTIVITY OVERVIEW: MONTENEGRO

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

1.	BDK Advokati	10
2.	Schoenherr	10
3.	Harrisons	9
4.	Karanovic & Partners	8
	Komnenic & Partners	8

SUNNY PROSPECTS: MONTENEGRO'S REAL ESTATE AND HOSPITALITY SECTORS ON SOLID GROUND

By Andrija Djonovic

Montenegro's real estate and hospitality sectors have been gaining momentum, driven by the country's natural beauty, strategic location, and an increasingly favorable investment environment. Keker, Bujkovic, Pejovic Partner Aleksandra Bujkovic, JPM Partners Senior Partner Lana Vukmirovic Misic, BDK Advokati Senior Partner Luka Popovic, and Vujacic Law Office Partner Sasa Vujacic discuss the country's competitive advantages, challenges faced by investors, and the steps needed to further enhance its appeal to foreign capital.

Favorable Climate for Business

"With its sunny beaches and high mountains, Montenegro has recently developed into a prime tourist destination in the region. In addition, Montenegrin legislation is more than open to foreign investment, with low taxes being the primary cause," Vujacic begins, pointing to the country's annual corporate tax rate of 15%. "Generally, for a foreigner to establish a company in Montenegro, it is only necessary to obtain a residence permit and thereafter register the company at the Central Registry, with the entire process lasting no more than a month." Vujacic stresses that "Montenegro already features a rich array of top-end hotels – Hilton, Crowne Plaza, Hyatt, and Splendid, among others – many of which were built with the help of government subventions, largely through exemptions or deductions of local taxes."

Bujkovic echoes that "Montenegro's key competitive advantages in the Adriatic real estate and hospitality sector lie in its strategic location, natural beauty, and a historically open investment environment." However, she notes that "recent developments suggest a shift in focus, with some benefits and promotional efforts for foreign investments being scaled back." According to her, "recent actions – or the lack thereof – suggest an apparent stagnation in strategic initiatives. Despite this, the country still offers significant opportunities for growth, particularly in the luxury real estate and hospitality sectors." Importantly, Bujkovic points to the fact that Montenegro provides foreign nationals the right to "purchase real estate without restrictions, except for agricultural and forest land unless tied to a corporate structure. The country's relatively low property taxes enhance the financial attractiveness of real estate investments, and the introduction of a progressive property transfer tax system in 2024, though new, remains competitive within the European context."

Aleksandra Bujkovic,
Partner,
Keker, Bujkovic, Pejovic

Lana Vukmirovic Misic,
Senior Partner,
JPM Partners

Luka Popovic,
Senior Partner,
BDK Advokati

Sasa Vujacic,
Partner,
Vujacic Law Office

Popovic too stresses the ease of doing business in the Adriatic country. "Montenegrin forex regulations are very liberal and there are no restrictions on capital transfers or any payments to or from Montenegro. Also, Montenegro has no restrictions on foreign ownership of companies. Furthermore, the corporate income tax rate is low, with progressive tax rates of 9%, 12%, and 15%, respectively." Additionally, he explains that "the hotel regulations provide for various modes of hotel operations, including the so-called 'condo model' and 'mixed-model' that are hybrids of traditional hotels and condominiums, which allow investors to generate better returns on investments. Finally, hotel licensing procedures and categorization are rather straightforward, and, in my experience, the licensing authorities are efficient."

Furthermore, Montenegro's accession path to the EU has shaped much of its policy direction. As Vujacic notes, "as a part of Montenegro's accession to the European Union, particularly the *Stabilization and Association Agreement* of 2007, Montenegro is required to harmonize its legislation with EU directives in all the relevant areas." Additionally, "Montenegro has signed bilateral treaties with Greece, Bosnia and Herzegovina, Serbia, North Macedonia, and Albania. It should be particularly noted that all investors from EU Member States have the same status as national investors – national status," Vujacic reports.

On the flip side, Bujkovic argues that the country's regulatory framework also presents "notable challenges and in certain cases, areas of oversight or neglect when compared to its Adriatic neighbors," adding that "Montenegro faces challenges shared with other Adriatic nations, including concerns about political and legal predictability." Still, Popovic believes that "in terms of regulatory framework and procedures, Montenegro provides for more predictability than some neighboring non-EU countries, and more flexibility than the neighboring EU countries."

Navigating Investment Challenges

As Bujkovic hints, it's not all sunshine and sandy beaches – investment challenges are still very much present in Montenegro.

Vujacic points to inadequate spatial planning as a frequently cited hurdle. "The main problem for investments coming into Montenegro is spatial planning that is yet to be sufficiently developed in certain parts of the country, therefore making obtaining parcels and building on them more difficult. In addition, the administration can sometimes move slower than it generally should. In order to help foreign investors in Montenegro, the Montenegrin Investment Agency was established."

According to Bujkovic, "the permitting process is complex and often plagued by lengthy delays. Regulatory uncertainties, including frequent policy changes and inconsistent zoning regulations, add to the difficulties. A critical issue is the absence of the *General Regulation Plan*, the country's key planning document. Without it, existing regulations are applied inconsistently, and there is no standardized approach to handling expired planning rules." Moreover, she echoes Vujacic in stressing that "slow bureaucracy exacerbates these issues, with project approvals often hindered by inefficient administrative processes." Furthermore, Bujkovic adds that "the language barrier adds to the difficulty, as insufficiently developed documentation in English makes it harder for international investors to navigate legal and procedural requirements." Vukmirovic Misic agrees with these points, adding that, ultimately, "investors sometimes find it challenging to navigate differences in interpretation of zoning plans, land-use regulations, or property rights."

From Popovic's perspective, it is infrastructure fees and property disputes that are the key causes of slow projects. "There is a concept of the fees for communal development of the land, that refers to the process of equipping land with essential infrastructure, such as roads, water supply, sewage systems, and utilities, to make it suitable for construction or use. Investors are supposed to pay the fee, and local municipalities are obliged to do the needed infrastructure work. But in reality, this process is very slow and often encumbered with resolving property disputes between the municipalities and the owners of the land where the infrastructure is needed to be built, and that can affect the dynamics of the project," he explains.

At the same time, government changes can occasionally stall momentum, according to Bujkovic: "Montenegro has made progress in attracting foreign investment in the hospitality sector through incentives like tax breaks, streamlined processes for high-value projects, and promotional efforts to position the country as a premium tourism destination. However, frequent changes in government have created instability, shifting priorities, and inconsistent policies, which undermine long-term planning and deter investors who value predictability."

Opportunities on the Horizon

Focusing on emerging trends, Vujacic highlights the advantages that upscale hotels benefit from. "With the new set of regulations, it was made possible for foreign investors in Montenegro who invest in 4+ star hotels to be exempt from paying a part of local communal taxes. This advantage was reserved only for investors in 5-star hotels until recently."

Vukmirovic Misic points to expanded tourism routes. "Improvements in infrastructure and the country's natural beauty have been significant drivers for the growth in the hospitality sector. The Adriatic coast remains the focal point for hospitality investments, with the highest interest concentrated around Budva, Kotor, Tivat, and Herceg Novi," she explains. Moreover, she reports that "due to the already constructed section of the highway and the planned continuation, it is reasonable to expect that the established tourism routes will expand to the central and northern parts of the country. This can be confirmed considering the fact of the number of hotels being built in Kolasin, which indicates a growing investment in the tourism sector and regional economic growth."

Popovic points to condo and mixed hotel models as those in pole position. "The condo model allows hospitality units to be sold to third parties, with owners participating in a rental pool arrangement while the mixed model requires part of the building to be operated as a traditional hotel, with the rest sold to third parties who may choose, but are not obligated, to participate in the rental pool arrangement," he explains. "These models are permitted exclusively for five-star hotels in more developed areas and for both five- and four-star hotels in less developed regions of the country. This innovation has significantly enhanced the financial viability of hotel projects, attracting foreign investors."

Efforts To Seize the Moment

Looking ahead, Vujacic reports that "the new general spatial planning plan, including the plan for general regulation, is to be adopted in the first quarter of 2025. For this purpose, the draft on *Spatial Planning Law* and the draft on the *Construction of Buildings Law* has been adopted in December of 2024, as the previous step before the final adoption of the previously mentioned plans/laws."

Building on that, Vukmirovic Misic adds that "to enhance its appeal to real estate and hospitality investors, Montenegro should prioritize infrastructure development, digitalization, and modernization of spatial plans. Investing in transport infrastructure such as roads, airports, and ports, alongside expanding utilities like water, electricity, and waste management, will improve accessibility and support large-scale projects. Improving spatial plans and accelerating the permit approval process is essential." Additionally, she says that it is equally crucial to ensure that all advancements are "conducted thoroughly so that the drive for efficiency does not result in approving projects that could have negative consequences for our country."

Resonating this, Bujkovic recommends "establishing a centralized online platform where permits can be tracked in real-time, introducing mandatory deadlines for decision-makers, and ensuring clear submission guidelines." Additionally, she feels that "large-scale infrastructure upgrades – such as modernizing airports and expanding road networks – combined with sustainability measures, would further strengthen Montenegro's long-term appeal for investors."

Finally, Popovic calls for a unified approach to urban development. "The key effort must focus on urban planning, as many areas still lack detailed plans that are a precondition for any construction works," he says. "To address this, strategic decisions are needed to define the types of developments the country aims to attract. These decisions must then be implemented through a streamlined, efficient, and transparent spatial planning process."

MARKET SNAPSHOT: MONTENEGRO

Real Estate in Montenegro – Balancing Between Public Revenue Growth and Investment Appeal

By Milos Komnenic, Managing Partner, and Desanka Kotlaja, Senior Associate, Komnenic & Partners

Montenegro's real estate sector is undergoing significant transformations due to recent legislative changes and proposed reforms, particularly in the tourism sector. These novelties will impact investors, developers, and most certainly the entire economy of Montenegro, but it remains debatable if the impact will be positive.

Focusing on tourism, Montenegro has adopted amendments to the *Law on Value Added Tax*, which will become effective as of January 1, 2025.

Namely, the amendments introduced the repeal of the VAT rate of 0% for the delivery of products and services for the construction and equipping of facilities in tourism in the category of five or more stars for investment values exceeding EUR 500,000. This change means that such supplies will now be subject to the standard VAT rate of 21%, increasing construction costs for luxury hotel projects. The same amendments included a new VAT rate of 15% for service of accommodation in hotels – more than double compared to the 7% VAT rate that was applicable before.

It is not without reason that the business community has expressed concerns since these incentives in particular have attracted many large-scale investments in tourism over the past years. These concerns are exacerbated by the current trend of decreasing foreign direct investments while the country faces hardships familiar to many developing countries: inadequate infrastructure and limited connectivity, increasing competition from neighboring countries, complex administrative procedures, etc.

Furthermore, there are discussions to repeal exemptions related to communal fees for the development of hotels with at least four stars operating under mixed-use and condo models. Currently, Montenegro's legal framework provides that investors pay a fee for the communal equipment of the construction land only for the accommodation units that are subject to individual sale. The potential changes conflict with Montenegro's tourism development strategy, with some projects on the verge of feasibility potentially abandoned due to the significant increase in communal fees (amounting to millions).

The communal infrastructure fee in Montenegro is intended as a bilateral contractual obligation to fund public infrastructure, but it has effectively functioned as a one-time levy on investors for the past three decades. This practice is evident in numerous projects stalled due to incomplete public infrastructure and even legal actions initiated by investors.

Consequently, in order to avoid delays or even the discontinuation of their projects, investors often find themselves compelled to independently equip their parcels, bearing significant costs for constructing essential utilities and undertaking extensive procedures to secure necessary approvals. Even in such scenarios, local authorities refuse to offset mutual claims, leading to a situation where investors effectively pay twice for communal equipping. On a different note, Montenegro is considering replacing the existing *Law on Spatial Planning and Construction of Buildings* with two new laws: the *Law on Construction of Buildings and the Law on Spatial Planning*.

The drafts were put to public debate in May 2024 and propose reinstating construction and usage permits as a mandatory prerequisite for all construction undertakings (leading to lengthier and more expensive procedures), the decentralization of spatial planning processes, the ability to directly download urban-technical conditions online, etc. Recent discussions suggest that the published drafts have undergone significant changes. Some of them refer to a provision that the preparation of planning documentation in Montenegro will only be entrusted to state-owned companies.

The laws are expected to be adopted in the upcoming months based on unofficial information, and whereas the new legal solutions may be a step forward, it is particularly noteworthy that all these reforms happen on rather short notice. Considering the aforementioned VAT incentives that were revoked, the potential increase in communal fees, and new legislation, there is no doubt that the state has moved to a more direct approach in order to increase the budgetary revenue.

In our view, it would certainly be challenging for Montenegro to preserve and attract foreign investments, but the true impact of these changes will only become clear over time.

New Year, New Tax Adjustments: Montenegro's 2025 Update

By Ivan Pejovic, Partner, KBP Legal

From September 2024, the Montenegrin Parliament passed a series of tax legislative amendments aligned with the country's *Fiscal Strategy for 2024-2027*. Set to take effect on January 1, 2025, these reforms aim to increase budget revenues to offset recent reductions in labor taxes and improve the business environment. The changes affect the *Corporate Income Tax Law*, *Personal Income Tax Law*, *VAT Law*, *Law on the Write-off of Interest on Outstanding Tax Liabilities*, and *Excise Law*, focusing on modernizing the tax system and stimulating investments primarily in the agricultural sector.

One of the changes in the *Corporate Income Tax Law* is the introduction of incentives for businesses investing in agriculture and sports. Legal entities can now receive tax exemptions when reinvesting profits into agricultural projects or other agricultural entities – an attempt to boost Montenegro's agricultural sector by reducing businesses' tax liabilities. Additionally, companies can deduct up to 5% of their total revenue for contributions to national sports federations, supporting sports development in the country. The amendments also include clarifications on deductible expenses, helping businesses better understand what is eligible for tax deductions.

The *Personal Income Tax Law* reforms focus on modernizing Montenegro's tax system by broadening the tax base. A notable feature is the taxation of online activities, gaming, and gambling winnings. Income from these activities will be taxed at a flat rate of 15%, with gambling winnings taxed at the point of payout. This reform targets the rapidly growing digital and gambling sectors and seeks to address the challenges posed by the unregulated freelance economy and the expanding gambling industry. The reform introduces clearer guidelines for taxing occasional income and allows self-employed individuals to deduct up to 3% of income for legitimate business expenses.

The *VAT Law* has undergone significant revisions, including the introduction of a second reduced VAT rate of 15%. This rate applies to specific goods and services, such as books, accommodation, and educational services. The first reduced VAT rate of 7% will remain for essential goods and services like food, medicines, and public transportation. Notably, the 15% rate now applies to accommodation services in hospitality establishments defined by tourism laws, as well as food and beverage services in hospitality venues, excluding alcoholic drinks, sugary beverages, and coffee. These changes mark a significant shift in the taxation framework for Montenegro's tourism sector by virtually doubling the tax burden.

The reform also removes the zero VAT rate for the construction and equipping of high-end hospitality facilities, energy production facilities, and large-scale food production projects. Additionally, the zero VAT exemption on low-value imports (under EUR 75) has been removed – a measure that the EU implemented in 2021.

The *Excise Law* has been revised to enhance excise revenues and improve system efficiency. Key changes include extending excise duties to non-carbonated beverages with added sugar and introducing excise duties on still wines. Additionally, the government adopted the *Customs Procedures for Goods Supplying Transport in International Traffic*, reintroducing the no-excise policy for private vessels. This policy, which allows private vessels to be supplied with fuel under customs supervision and without import duties before leaving territorial waters, had been abolished in 2022 by the previous administration.

To stimulate growth in underdeveloped regions, tax reforms encourage entrepreneurship, particularly in agriculture and fisheries. Tax exemptions for businesses operating in these areas aim to promote investment, create jobs, and strengthen local economies. Additionally, the income threshold for simplified taxation has been increased, allowing small businesses and freelancers to benefit from this regime for a longer period.

Montenegro has also introduced the *Law on the Write-off of Interest on Outstanding Tax Liabilities* to ease the burden of overdue tax debts. Under this law, taxpayers can have interest on tax liabilities waived if they submit all tax returns due by December 31, 2024, and pay the full principal tax debt within 60 days from the law's effective date (January 1, 2025). This provision encourages timely tax payments and supports businesses and individuals in resolving financial difficulties.

The 2024-2025 tax reforms are part of a broader effort by Montenegro's government to expand its tax base and offset budgetary losses from labor tax reductions. By modernizing the tax system and introducing targeted incentives, these reforms aim to stabilize government revenues and encourage economic growth. The government is also taking additional measures and planning further steps to transform the tax system, focusing on improving monitoring systems. While the full impact of these changes remains to be seen, they represent a promising move toward enhanced fiscal stability and a more efficient tax framework.

INSIDE INSIGHT: FILIP KNEZEVIC OF VEZUV

By Andrija Djnovic

Vezuv Director of Legal Affairs Filip Knezevic talks about his career and the challenges of navigating the regulator's relationship with the gambling sector.

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

Knezevic: My legal career began 15-16 years ago, and I was fortunate to work for companies that were part of larger groups, whose activities were very diverse. I started in media, at a local television station, where I worked for a year. Then I moved to the investment arm of the same group, which was active in banking, education, and real estate development. This allowed me to gain extensive experience in legal work in these sectors.

Later, I transitioned to a UAE-based real estate investment company that acquired The Capital Plaza in Montenegro, where the first Hard Rock Cafe in the region opened under their management, and such a huge international franchise implied highly regulated operations and strict legal procedures. This involved a lot of international activities, and I spent a decade there. However, I felt I had reached the limit of professional growth in that position and decided to take on a new challenge. That's when I joined the Vezuv group, primarily operating in the gambling industry, but also involved in hospitality and real estate development.

Our group operates in three markets – Montenegro, Serbia, and Bosnia and Herzegovina – employing around 1,100 people, most of whom are based in Montenegro, where we dominate the gambling market, covering close to 60% of it. The work is highly dynamic, and I've been able to apply my diverse legal and business experience.

CEELM: How is working in-house different from that of a private practice lawyer in your view?

Knezevic: Throughout my career, I've had *ad hoc* engagements with different companies and projects, including litigation for the companies where I worked in-house. This gave me some perspective on the differences between external lawyers with in-house roles.

As an external lawyer, your engagement is often limited to a specific part of a project. But as an in-house counsel, you are involved from the very start all the way to the end result. For example, in real estate projects, you oversee the entire lifecycle – from securing building permits and managing design to construction and final approvals. There's a deep satisfaction in seeing a tangible outcome that you've contributed to legally.

A standout example is The Capital Plaza project. It took 10 years to develop, and while it faced many challenges and initial skepticism, it ultimately became a thriving hub. Being part of such a journey and seeing it "shine" is incredibly rewarding.

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

Knezevic: In Montenegro, where our core operations are based, we have five in-house lawyers, including myself. Three of us handle everything from advisory work to administrative tasks. One lawyer is dedicated to real estate development, and another focuses on hospitality, such as our five-star hotel Porto Palace in Tivat, adjacent to Porto Montenegro.

In Bosnia, we have two lawyers, whilst, in Serbia, we are currently relying on external legal offices as we are just starting our operations there.

CEELM: How do you decide whether to outsource a project or use internal resources?

Knezevic: In the gambling industry, there are very few external lawyers specialized in gaming-related cases. As a result, 90% of our legal matters and disputes are handled in-house. When it comes to outsourcing, we evaluate it on a case-by-case basis. If a project involves expanding into new territory, mergers and acquisitions, or similar projects that require thorough due diligence, we prefer to work with external lawyers from that market as local expertise is crucial.

For complex matters requiring significant resources, we often outsource to avoid overloading our in-house team, allowing them to focus on regular operations.

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

Knezevic: Prior experience in specific matters is the primary criterion. For instance, if it's a labor-related issue, we prioritize firms with extensive courtroom experience. The client portfolio of a law office is also an important consideration, as it reflects their quality and reputation.

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

Knezevic: Over the past 12 months, our focus has been on territorial expansion. We launched operations in Serbia, which required significant legal work. We're also exploring a potential expansion into another market, though it's still just an idea at this stage.

Additionally, we successfully converted a completed building on the coast into a five-star hotel – a challenging process that we completed in April 2024. Establishing a business of this scale required significant legal effort to secure all the necessary permits.

Another major focus has been the proposed changes to the *Lex Specialis* gambling law. The process was initially non-transparent, sparking intense public debate. The proposed changes were significant and primarily aimed at increasing tax revenues from the gambling industry. We, along with other operators in Montenegro, had to engage heavily, submitting formal objections and suggestions. Unfortunately, the authorities don't understand the industry as we do. 14-15 major operators united to highlight how some provisions were impractical and would negatively impact the sector. We're now awaiting the outcome of the public debate.

Looking ahead, we plan to develop a large business-residential complex in Podgorica, which is currently in the design phase. Expanding our presence and operations in Serbia will also require considerable legal and strategic efforts, especially since we also expect new gambling legislation to be introduced and implemented in Serbia in the first quarter of 2025. Additionally, we'll continue to monitor and address regulatory changes in Montenegro, including new winnings tax calculation requirements that are proving tricky for operators.

CEELM: What do you foresee as the main challenges for GCs in Montenegro in the near and mid-term future?

Knezevic: Montenegro has faced significant political instability in recent years, with three governments since 2020. Each new administration brings different priorities, laws, and approaches. This constant flux creates confusion, particularly with frequent changes in legislation and administrative procedures. For example, ministries have fluctuated in number, adding to the complexity.

As Montenegro progresses toward EU accession, we're seeing an influx of regulations. However, many of these are directly transposed from EU laws and aren't always compatible with our local context. This creates practical challenges for implementation.

Another issue is the slow digitalization of government administration. While technological improvements are introduced, they often fail to be implemented effectively, creating bottlenecks for both commercial and private sectors.

Finally, the gambling industry continues to face stigma, with many focusing solely on its social aspects. Despite being heavily regulated and a significant contributor to state revenues, there's a lot of hypocrisy in how the government addresses it publicly. This lack of understanding and appreciation for this sector's value is a persistent frustration for operators in the space.


KNOW YOUR LAWYER:
LUKA POPOVIC OF
BDK ADVOKATI

Career:

- BDK Advokati; Senior Partner; 2023-Present
- BDK Advokati; Partner; 2017-2023
- BDK Advokati; Managing Senior Associate; 2013-2017
- BDK Advokati; Senior Associate; 2012-2013
- Hidroterm a.d.; Executive Director; 2007-2011
- ETG Group; Head of Legal; 2006-2007

Education:

- University of Belgrade, Faculty of Law; LL.B.; 2006

Favorites:

- Out-of-office activity: Hiking
- Quote: "Missing a train is only painful if you run after it."
- Book: *Fooled by Randomness* by Nassim Nicholas Taleb
- Movie: *Fight Club*

Top 5 Projects

- Advising the Government of Montenegro as the majority shareholder of the national electric utility EPCG, on the exit of Italian company A2A from its shareholder structure (the transaction was valued at EUR 230 million)
- Advising the Turkish company Net Holding on their entry into the casino and hospitality markets in Montenegro, including the development of the five-star Merit Starlit hotel and casino
- Advising Abu Dhabi Capital Fund on the EUR 55 million sale of the premier business and residential complex Capital Plaza, to BIG CEE
- Advising Alcazar Energy on the acquisition of the local project company and the further development of the 118-megawatt Bijela wind park
- Advising Turkish Global Ports on acquiring a majority stake in one of the leading commercial ports in Montenegro, Port of Adria, through a privatization process launched by the Government of Montenegro

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

Popovic: I would say it was the representation of Tara Resources in the acquisition and development of the Brskovo zinc and lead mine, a promising and strategically important project for the economic development of northern Montenegro. Despite its potential, the project faced significant challenges, including a lack of planning documentation and opposition from local activists citing environmental concerns. Political instability and frequent changes in government further complicated the situation, as the state's position shifted and initial support diminished. The project attracted considerable media attention and became a highly contentious issue for the administration. Despite our concerted efforts alongside the client to defend the project and address all concerns, the result was the effective suspension of the project and the termination of the underlying concession agreement by Montenegro. The epilogue is yet to come.

CEELM: And what was your main takeaway from it?

Popovic: Things are not always as they appear. I would prefer not to elaborate further.

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

Popovic: I initially wanted to pursue an acting career and even attempted to enroll in an acting academy. Fortunately, I didn't pass, which led me to shift my focus to law. During my law studies, I had a minor role in a student film.

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

Popovic: I have a (good) habit of observing what others do well and using that to improve my own skills. I have learned something valuable from each of our partners, but the greatest influence on my practice has come from Tijana Kojovic, our Managing Partner. Her meticulous approach to legal work, manner of breaking down complex legal situations into their components, analyzing each in detail, and drawing logical and well-articulated conclusions, have shaped the way I do my work. She was the first person I met at BDK, and her impact on my approach to lawyering has been significant.

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

Popovic: Her name is Bisera Andrijasevic. While not directly my mentee, as her expertise primarily lies in competition law, which does not overlap with my practice, she is a member of the Montenegrin BDK team that I have been leading. She has consistently demonstrated excellence as a lawyer, reliability as a colleague, and an impeccable work ethic. Her outstanding qualities and contributions have propelled her through our ranks, resulting in her becoming a partner in our firm, co-head of our competition practice, and head of our life sciences & healthcare sector.

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

Popovic: Many things in life happen randomly. Keep learning. Acquire new skills. Build your network. And don't take life too seriously.

EXPERTS REVIEW: BANKING/FINANCE

This issue's Experts Review section focuses on Banking/Finance. The articles are presented ranked by the number of commercial bank branches per 100,000 adults, according to World Bank 2023 data.

Bulgaria and Moldova are among the frontrunners, with 92.2 and 28.4 commercial bank branches per 100,000 adults, respectively, and Ukraine is the last with 0.4 banks.

***2022 data available only.**

Bulgaria: Security Over Shareholder Distributions – What's New?

By Svilen Issaev, Counsel, Head of Banking, Finance & Capital Markets, Kinstellar Bulgaria

Financing transactions often involve lenders taking security over the assets of a borrower's group of companies. The typical security package in Bulgaria includes security over the borrower's and other relevant group companies' shares and the receivables deriving from such shares.

This article focuses on shareholder distributions arising by operation of law rather than payments to shareholders that are contractually agreed (e.g., under shareholder loans or service agreements). In general, shareholders in Bulgaria are entitled to a distribution of profits and dividends, liquidation quotas, proceeds from the repurchase or redemption of shares and capital decreases, and any payments in the course of any type of corporate transformation or conversion of the legal form. As these are, by their nature, contingent receivables of the shareholder against the company, they may be subject to security.

Generally, security over receivables in Bulgaria may be established by way of a contractual pledge, a registered pledge pursuant to the *Bulgarian Law on Registered Pledges*, or, in specific cases, a financial collateral arrangement pursuant to the *Bulgarian Law on Financial Collateral Arrangements*. However, there are certain specifics and recent developments in relation to registered pledges over shareholder distributions that should be considered when financing deals in Bulgaria.

Firstly, the nature of the respective shareholder should be considered. While a contractual pledge over shareholder distributions may be provided by both natural persons and legal entities, a registered pledge over receivables deriving from shares may only be established by traders, i.e., companies, and if they act as shareholders, individual entrepreneurs. Natural persons may establish a registered pledge over their shares in certain types of companies but not over the receivables from such shares.

Secondly, the perfection requirements of the security over shareholder distributions from certain types of shares should be addressed. To date, the most common way of taking security over shareholder distributions deriving from any kind of shares has been the registered pledge due to its ease of establishment, relatively low cost, and the option of out-of-court enforcement. The perfection of such a pledge includes its registration with the Central Pledges Registry. In recent months, however, the registry has refused to register some pledges over shareholder receivables, particularly those deriving from shares in joint-stock companies.

The arguments for the refusals maintained by the Central Pledges Registry are that the receivables deriving from physical shares, such as registered shares, are inseparable from the shares and can only be pledged by way of pledging and physically delivering the share certificate in the possession of the pledgee. Therefore, in the registry's view, a registered pledge that does not require the delivery of documents or assets does not apply to any physical shares nor to distributions deriving from such shares. When challenged before the relevant courts, some of the refusals have been upheld, while others have been revoked.

Both the refusals and the court decisions that confirm them seem to disregard the distinction between the rights of the shareholder to participate in the distribution of profit and to receive dividends on the one hand and the receivables against the company for such dividends once the right has materialized on the other.

The recent examples of refusals of the Central Pledges Registry and court decisions create inconsistency and uncertainty. In certain cases, pledges over receivables deriving from shares in joint-stock companies are being registered, while in others, registration is refused. This is important for lending transactions, as often perfection of the security, including over shareholders distributions, is a condition for disbursement of the funds. Refusals and potential re-filings and/or objections before courts, until the matter is resolved, may delay utilizations. Further, refusals concerning shareholder distributions specifically deriving from shares in joint-stock companies lead to unequal treatment of companies.

Lenders still have the option to resort to a contractual pledge or, where available, a financial collateral arrangement instead of a registered pledge over shareholder distributions, but that would deprive them of the advantages provided by the registered pledge. Alternatively, for the time being, financing institutions may insist on having a registered pledge over shareholder distributions deriving from shares in joint-stock companies. In such cases, however, they should factor in the possible delays or risk of having to waive the requirement altogether in case of a prolonged registration process or refusals that are appealed but eventually confirmed by the court.

Moldova: The Role of Corporate Bonds in Unlocking the Country's Capital Markets

By Nicolina Turcan, Head of Fintech and E-Payments, ACI Partners

Did you know that corporate bonds in Moldova are unlocking a financial transformation, raising millions for businesses, and opening doors for investors? For years, Moldova's capital markets have been characterized by limited activity, primarily consisting of equity securities and government bonds. The emergence of corporate bonds marks a significant turning point, signaling a transformation in the country`s financial ecosystem. Recent regulatory reforms and successful stories of bond issuances are redefining the market, creating new investment opportunities for market participants.

Reshaping Moldova's Financial Landscape

The revival of corporate bond activity in Moldova was spurred by the initiatives of leading financial institutions like Moldova Agroindbank (Maib). In 2023, Maib launched its first corporate bond program, raising MDL 258 million from over 740 investors through a public offering. This marked a significant milestone, demonstrating both the demand for alternative investment instruments and the development of Moldova's financial sector. Building on this momentum, Maib's subsequent bond programs have further expanded the market, offering competitive returns and attracting diverse investor classes, including retail and institutional participants.

Legal Framework

The issuance of corporate bonds in Moldova is governed by the *Law on the Capital Market, No. 171/2012*, supported by regulatory guidelines issued by the National Commission for Financial Markets (Commission). In 2022, the Commission introduced the *Practical Guidelines for the Issuance and Trading of Corporate Bonds*, offering much-needed clarity for both issuers and investors regarding the procedural and regulatory requirements. While joint-stock companies have long had the legislative foundation to issue bonds, significant progress was achieved in May 2022 through amendments to the *Law on Limited Liability Companies, No 135/2007*. These amendments simplified the issuance process for limited liability companies (LLCs), making it more accessible for LLCs to access the bond market.

Legal Requirements for Issuers

The procedure for issuing corporate bonds in Moldova varies based on whether the issuance is conducted through private placement or public offering. Both processes share core steps, albeit with distinct regulatory nuances. The key steps for bond issuance are: (1) Approval of bond issuance by the issuer's governing body, which defines the bond type, interest rate, maturity, and issuance size. Public offerings require the engagement of an authorized investment firm, while for private placements this step is optional but recommended. (2) Preparation of subscription agreement, which outlines terms for investors. Public offerings require additional documentation, including a prospectus and, where applicable, collateral-related agreements or guarantees. (3) Opening a temporary bank account to collect subscription funds. (4) Placement of bonds to a selected group of investors (in case of private placement) or to the general public (in case of public offering). (5) Approval of reports and investor list detailing the issuance results, including the final list of subscribers (investors). (6) Submission to the Commission of the issuance report and supporting documentation for the purposes of registration in the Register of Securities Issuers and subsequently with the Central Securities Depository. (7) Utilization of funds after completing the issuance process. Private placement and public offering differ not only in terms of the placement method but also by security type. Therefore, there are secured bonds, which are backed by sufficient and solid guarantees, such as pledges of the issuer's assets, third-party assets, bank guarantees, third-party guarantees, or insurance policies; and unsecured bonds, which are not backed by specific assets but can be issued if the issuer meets certain conditions set by regulatory authorities.

Corporate Bonds Are a Game-Changer – And the Roadblocks Ahead

Corporate bonds are transforming how companies in Moldova access capital. For issuers, they offer a smarter way to secure long-term funding while keeping full ownership intact. They also enable companies to align repayment schedules with their operational cash flows, making them a more practical alternative to traditional loans. For investors, corporate bonds provide a stable, higher-yielding alternative to traditional savings options. However, challenges persist, including the need for greater financial literacy among the populace and the development of a robust secondary market to ensure liquidity.

The Way Forward

Moldova's corporate bond market is at a pivotal juncture. The combination of a supportive regulatory environment, successful issuances, and growing interest from both issuers and investors underscores its potential. By addressing existing challenges and leveraging opportunities for innovation, Moldova can position itself as a competitive player in the regional capital markets. Corporate bonds have the potential to serve as a transformative force in Moldova's financial future. As the market matures, these instruments will become a cornerstone of the country's economic growth, enabling businesses to access capital while offering investors reliable opportunities.

Croatia: Physical Cash Pooling Arrangement or Loan Agreement?

By Martina Kalamiza Grozdek, Partner, Lovric Novokmet & Partners

Cash pooling arrangements allowing companies to optimize their cash and better manage liquidity have been present as part of the financial product offered by banks to their clients for some time now.

While the notional cash pooling involving the consolidation of cash balances for the purpose of calculating interests is regularly used in practice, the physical cash pooling involving physical transfer of funds between bank accounts (providing optimization of liquidity management) is rarely used.

Even though there is no statutory framework regulating cash pooling arrangements, definitions of notional and physical cash pooling are imposed in the by-laws enacted by the Croatian National Bank for the purpose of collecting information on transactions between residents and non-residents.

In the CNB's *Instructions on Collection of Reports* (CNB Instruction) envisaged under the *Decision on Collection of Information for the Purpose of Drafting the Balance Sheet, Foreign Debt and International Investment Levels Delivered to the CNB in Electronic Form* (CNB Decision), cash pooling is defined as a specific financial product that enables the consolidation (viewed as a net balance) or aggregation of positive and negative balances on bank accounts of different entities onto a single (master) account.

Depending on the type, cash pooling is classified under the CNB Instructions as either lending activity or deposit-taking activity.

The physical cash pooling models involving the actual transfer of funds from residents to non-residents and vice-versa are classified under the CNB Instruction as other lending activities and have to be reported as such to the CNB.

If there are no physical transfers of funds from residents and non-residents and the residents have full and unrestricted control over the funds in their accounts opened in a foreign financial institution participating in the notional cash pooling, such a transaction is considered deposit-taking activity as per the CNB Instructions.

Thus, according to the mentioned by-laws, physical cash pooling should be deemed as lending activity, at least for the purpose of appropriate reporting to the CNB.

In practice, the notional cash pooling arrangement is regularly practiced and offered by the banks as part of their services. The model is mostly established between the mother company and its subsidiaries having the bank accounts opened with the same bank which operates the cash pooling arrangement based on the cash pooling agreement entered into between a bank and each cash pooling participant.

Physical cash pooling is rarely, if at all, used in practice.

The question that arises is whether the physical transfer of funds would even be possible without it being legally grounded and what would that ground be.

Having in mind the by-laws regulating physical cash pooling for the purpose of CNB reporting, it is likely that such arrangements would need to be structured as intra-group loans – either by the subsidiary in favor of the mother company (to fulfill the target budgeting) or by the mother company to the subsidiary in order to allocate the funds collected at the treasury account, representing also the ground for banks to do the transfers.

Provided that would be the case, physical cash pooling could have certain tax and legal consequences.

Consequences Connected to Physical Cash Pooling

From the "borrower's" perspective, the companies should observe the withholding tax aspects of the transaction as well as the interest deductibility rules which could be relevant to interest expenses they would be charged.

When in a "lender's" position, the transfer pricing rules would determine the level of interest income relevant for the lender.

One of the legal consequence is that the physical cash pooling could be considered as hidden distribution of profits prohibited under the Croatian *Companies Act* provided the funds are not fully recoverable by the participating companies.

Furthermore, the cash pooling arrangement could be challenged by the company's creditors or bankruptcy trustee in the event of insolvency provided such an arrangement impacts the company's liquidity and jeopardizes the company's ability to fully fulfill its payment obligations. The consequence of successful challenges would be the obligation of the company to reimburse the amount transferred under the cash pooling arrangement back to the "paying" company.

Final Remarks

While there is no legal obstacle to entering into cash pooling arrangements involving the physical transfer of funds, the underlying agreement would most probably be regarded as a loan agreement (intercompany loan agreement) having certain consequences (both legal and tax-wise) that need to be taken into consideration when structuring such a transaction as a mode of optimizing the cash management of the group companies.

Serbia: A New Hope – Reviving the Country's Capital Market

By Rastko Malisic, Partner, MMD Advokati

The investment volume curve concerning Serbia's capital markets and trading on the Belgrade Stock Exchange is on a downward trajectory as of the end of the second round of mass privatizations and the start of the 2008-2009 economic crisis.

Even at its peak, Serbia's capital market and trading volumes were rather underdeveloped and insignificant in comparison to the ones in the EU.

In order to U-turn the current situation, the Ministry of Finance, together with the World Bank, has started the *Catalyzing Long Term Finance Through Capital Markets Project* (Project). The World Bank granted a EUR 27.7 million loan to support Serbia in developing its corporate bond market and enhancing the participation of the private sector in financing investments.

The Project, which started this year and is intended to be in place for three years, aims to facilitate the issuance of bonds solely by privately-owned Serbian companies with a positive financial track record in recent years.

On the Project

The three main phases of the Project are the following: Phase 1 – application by the interested issuer and confirmation of its eligibility by both the ministry and the World Bank; Phase 2 – due diligence over the issuer by both legal and financial experts proposed by the issuer (legal and financial experts are to be selected by the issuer from the list of experts that qualified under the Project – MMD Advokati being one of the chosen legal experts); and Phase 3 – preparatory actions for and issuance of bonds.

Other key details include:

Interest – to be determined at a later stage and will differ from issuer to issuer. The interest is initially set by the issuer themselves together with the financial advisor, but it can be adjusted depending on the situation of the market.

Bond issuance – there is no strict minimum or maximum amount of bond issuances per issuer, however, some EUR 3 million are considered the lowest acceptable bond issuance.

Bond type – there are no restrictions. Bonds may be plain vanilla, green, coupon, thematic, etc.

On Issuers

So far, the response and interest of issuers is at an enviable level. This is rather expected as this allows issuers to avoid banks' financing. At the same time, the criteria and conditions of the Project are rather flexible and favorable for potential issuers. As an example, the issuer has no obligation to have a specific purpose/project for which bonds are issued (although it is recommendable as this will ease attracting investors). At the same time, the entire cost of legal and financial due diligence and of the credit rating agency is covered by the ministry. The only cost to be borne by the issuer is 20-25% of the amount and expenses in the issuance process itself if the issuance is successful, though even this cost does not apply if the issuer is fully owned by women. Furthermore, the issuers see entry in the Project as a step closer to an eventual IPO.

The first issuance of bonds under the Project is expected at the very beginning of 2025 and the first issuer is expected to be one of the largest and most reputable privately-owned companies in Serbia.

On Investors

The ministry will fully support eligible issuers and will organize roadshows in Serbia and the region in order to present the Project and attract both domestic and foreign investors (like the EBRD and other IFIs).

In the process of attracting investors, the ministry is considering further tax incentives which would make the whole scheme even more attractive.

Outcome Prediction

This may not be the first attempt of the Serbian government to change the climate of the capital market and make it attractive but it is certainly the most serious and dedicated one. The initial conditions – the full backing of the World Bank and a positive climate on the worldwide capital markets – are met. Thus, the success remains dependable only on the sufficient number of reputable issuers and, later on, the full coverage of issued bonds by credible investors.

Ultimately, the success will highly depend on the outcome of the first couple of bond issuances under the Project. If these go well and smoothly and the emissions are looted, this will be a boost for other reputable companies to join the Project and the spiral of success would be in place.

Poland: Implementing the NPL Directive – Challenges and Opportunities

By Weronika Kapica, Partner, and Milosz Zolich, Student, Schoenherr

The inherent volatility of the financial market offers many opportunities but also poses significant risks. Following the 2007-2008 financial crisis, legislators in the European Union struggled to contain the non-performing exposure (NPE) cycle through legislative action.

As the next crisis loomed over the market as a result of COVID-19, the European Commission took decisive action and issued an NPE-related communication – *COM (2020) 822 Final* (NPE Action Plan) – which tackled non-performing loans in the aftermath of the pandemic. From the NPE Action Plan, *Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers and amending Directives 2008/48/EC and 2014/17/EU* (NPL Directive) emerged.

Overview of the NPL Directive

The NPL Directive aims to employ solutions that reduce the risks associated with non-performing loans (NPLs) on banks' balance sheets and prevent their future accumulation. The NPL Directive is primarily concerned with the supervision of credit servicing companies, the introduction of unified rules for obtaining authorization to operate, and the maintenance of a publicly accessible list of licensed credit servicing companies. It also establishes transparent rules for credit servicers' contact with borrowers and for conducting cross-border credit servicing activities.

Implementation in Poland

While the NPL Directive has not yet been implemented into the Polish legal system, a draft law of the *Act on Credit Servicers and Credit Purchasers* (Draft NPL Act) is currently pending in the Polish legislative process.

The Draft NPL Act establishes strict requirements for obtaining a license that permits credit servicing. It also establishes a register of credit servicing entities kept and supervised by the Polish Financial Supervision Authority (KNF) and introduces internal procedure and policy requirements for credit servicing entities, including risk assessment and management systems, borrower rights protection procedures, borrower financial assessment, and anti-money laundering procedures.

Additionally, the Draft NPL Act introduces a framework for credit servicing agreements by setting out obligatory contractual provisions, aimed at protecting the interests and rights of borrowers and credit purchasers.

Lastly, the Draft NPL Act positions the KNF as the primary authority overseeing credit servicing activities. It grants the KNF powers such as requiring changes to credit servicing entities' policies and procedures, amending or terminating credit servicing agreements if found non-compliant with the Draft NPL Act, imposing fines, and even revoking credit servicing agreement licenses with immediate effect.

Potential Impact of the Draft NPL Act

While the Draft NPL Act provides for a robust regulatory framework, smaller financial entities may face issues adapting to these stringent regulations. For such institutions, compliance with the Draft NPL Act in its current form can prove costly both in terms of resources and financials considering the administrative and operational costs required to adhere to the regulation.

Furthermore, smaller entities might face a disproportionally greater challenge adhering to procedural requirements, potentially leading to market exits. This could limit competition and foster a less accessible secondary NPL market dominated by larger entities better prepared to handle regulatory pressure.

Emerging Opportunities in Poland

The rules and obligations introduced in the Draft NPL Act, such as increased borrower protection and regulatory clarity and oversight, can potentially make the growing secondary NPL market in Poland a more viable and stable option, even in times of economic downturn and uncertainty. This has the potential to attract new investors to the market.

Furthermore, the provisions of the Draft NPL Act stipulating increased supervision, such as risk assessment, borrower financial evaluation, anti-money laundering protocols, and other supervisory actions that can be taken by the KNF, will contribute not only to market fairness but also to market security. By addressing these systemic vulnerabilities, Polish banks will be better prepared to counteract future crises.

Once enacted, the Draft NPL Act will undeniably impact the market. If financial institutions and credit servicing entities are prepared for it, new opportunities for entry into the secondary NPL market will emerge. It will also pave the way for a robust, equitable secondary NPL market in Poland, provided that the balance between regulatory guidance and market adaptability can be maintained.

Slovenia: Financing Snapshot

By Blaz Ogorevc, Partner, Selih & Partners

Slovenia's financing landscape over the past couple of years has been characterized by the expansion and consolidation efforts of Hungary's OTP banking group, resulting in the market being headed by two comparably large institutional players: NLB and OTP. In fact, consolidation in the banking sector could have easily been the talk of the year had it not been for the increased financing costs fueled by relatively high interest rates combined with volatile energy prices that have been causing headaches for the economy on all levels.

Now that base rates and bank margins are dropping (as a result, banks' profitability, that has been high, will also drop) and energy prices seem to have stabilized to a certain extent (or we might simply be getting used to the new reality), it will be interesting to see how the market situation will pan out. Will the two Goliaths dominate the floor, or will the other smaller players show some David-esque aspirations? Since most Slovenian banks are stable and highly liquid, this could probably be attempted by introducing newer products or innovative business approaches.

Foreign banks – be it Austrian banks who have their long-lasting presence via their affiliates or engage in cross-border financing or Polish banks who provide acquisition financing – have also played a relevant role and have contributed to the diversity of financial products available.

In any case, banks have been and will likely remain the primary source of financing for businesses, although other sources of financing – at various levels of maturity – are also available.

For example, venture capital investments in Slovenia have not yet become a widespread phenomenon. Start-up support platforms and entrepreneurial incubators are generally in place, but the scope of VC financing and investments is still very low. Similarly, crowdfunding or peer-to-peer lending platforms are trying to gain some traction by offering options for start-ups and SMEs that may struggle to access bank loans or venture capital, but they are still toddlers compared to their counterparts in other jurisdictions.

In contrast, private equity activity is emerging as a significant component of Slovenia's capital market and financing environment. A few larger players have been present for quite some time now, but several new alternative investment funds have been established in the last year or are being put in place. More are likely to come. Notably, these AIFs are all targeting professional or qualified investors and none of them is specifically aimed at individuals and consumers. Bond or commercial notes placements are also not entirely foreign to the Slovenian market.

On a smaller scale, we have seen one different approach – a public bond issue attempted by a real estate developer aimed also at small investors – but the initial offer was not successful. It seems that the market was not yet ready for such a type of investment and the general public is not yet suitably educated on the concept.

Thus, we hope to see more activity in the direction of consumer-oriented funds, specifically from the larger fund managers, who have both the needed infrastructure in place and also have the knowledge and manpower to tackle the logistics and the regulatory framework.

Education of the wider population in this direction would, in my opinion, also be highly desirable as we need to evolve from the most "traditional" long-term investment (or saving) strategy of individuals – purchasing and renting out one or two residential units. The price of real estate is already ridiculously high and the market will not sustain this approach for much longer.

Toward this, the Slovenian government needs to step up and play a more instrumental role in shaping the financing landscape in 2025 and years to come. Indeed, various initiatives aimed at boosting investment in innovation, research and development, and sustainable projects are put in place, but a sustainable housing policy and investment literacy should also be at the forefront of their goals.

Romania: New Rules on Interest Limitation for Non-Bank Financial Institutions and Loan Claim Assignments

By Matei Florea, Partner, and Valeria Stropsa, Senior Attorney at Law, Schoenherr

Aiming to protect consumers from potentially excessive interest rates applied by Romanian non-bank financial institutions (NBFI) and to ensure increased transparency in loan claim assignments, in November 2024, Romania enacted *Law 243/2024 on consumer protection regarding the total cost of credit and assignment of claims* (Law 243/2024).

Long debated, this new piece of legislation has undergone significant changes since its draft was first published in February 2022, when it was intended to apply to all types of creditors, including credit institutions. It also faced criticism for alleged constitutional breaches but was found constitutional in August 2024.

Law 243/2024 became applicable on November 11, 2024, giving the market some time to adapt, especially regarding the limitations it imposed on credit costs and interest rates applied by NBFIs.

Interest and Credit Costs Limitation

For consumer mortgage loans granted by NBFIs for real estate investments, the effective annual interest rate (EAR) cannot exceed the interest rate on the lending facility applied by the National Bank of Romania (NBR) on the domestic finance/banking market by more than eight percentage points.

For consumer loans granted by NBFIs, the EAR cannot exceed the NBR's interest rate on the lending facility by more than 27 percentage points. Exceptionally, in the case of lower-value consumer loans of up to RON 25,000 (approximately EUR 5,000), specific limits have been imposed on the total cost of credit, while the total amount payable by the consumer cannot exceed double the value of the principal.

Impact on Ongoing Loans Granted by NBFIs

The newly introduced limitations apply to ongoing loans granted by NBFIs, which are loans active on the enactment date of Law 243/2024 that have reached maturity and that have delays in payment of no more than 60 days. Consumer loans that are qualified as non-performing under Romanian legislation are excluded from the scope of this law.

Consumers may request a revision of their ongoing loan agreements if the cost limits are exceeded and may seek judicial intervention if necessary.

Once a request for adaptation has been received by an NBFI from a consumer, the creditor has 30 days to revert with a proposal to adjust the contract (by partial reduction and/or write-off of the debt, refinancing, etc.), taking into consideration the financial situation of and the maximum indebtedness level applicable to the debtor.

If the NBFI refuses or fails to respond within 45 days, the consumer may file a court action to obtain the adaptation of the loan agreement.

Impact on Loans Assigned to Third Parties

Loan claims assigned and/or otherwise outsourced by credit institutions to third parties may also be subject to requests for adaptation by consumers. This possibility may create uncertainties in secondary debt trading, where consumer-protection-related risks are particularly important.

Additionally, for claim assignments concluded on or after November 11, 2024, debt recovery entities acting as assignees may only collect from the debtor a total amount (including any expenses related to the recovery of the receivables) that does not exceed the claim certified by the creditor at the date the assignment agreement was concluded.

However, these limitations should not significantly impact the recovery potential of debt recovery entities, as they were already restricted in terms of the interest they can collect. In any case, collection up to the total face value of the receivable seems to be less frequent in the case of assignment of non-performing loans.

Practical Implications for NBFIs and Debt Recovery Entities

According to public information, some of the largest NBFIs in Romania are already implementing voluntary measures and adaptation programs for all ongoing loans, aiming at ensuring compliance with Law 243/2024. It is yet to be seen how these voluntary measures will be received by the impacted consumers and the National Consumer Protection Authority.

The new limitations introduced for debt recovery entities add up to existing restrictions applicable under the consumer protection legislation, with a view to further limiting the maximum amounts these entities may charge and/or collect from consumers.

In addition, the new transparency obligations requiring assignors to provide consumers with supporting documentation related to the assigned claim will likely add further burdens to the assignment notification process.

Hungary: The (Scheduled) End of UBO Anonymity of Private Equity Funds in Hungary

By Gyorgy Kiszely, Partner, Nagy & Trocsanyi

Private equity funds have become an increasingly popular investment vehicle in Hungary since the late 2010s, currently, the register of the National Bank of Hungary shows more than 165 private equity funds registered in Hungary. Although the availability of specific statistics is limited, based on the partial data, it can be estimated that the total assets of Hungarian private equity funds are roughly around HUF 3 trillion, i.e., close to 4% of the nominal GDP of Hungary.

A well-known key feature of this type of investment entity is that the investors enjoy a relatively high level of privacy, deriving from the long-debated concept of secrecy of investments. The level of such secrecy was traditionally higher in some jurisdictions while very limited in others. The exact level of privacy in Hungary, especially regarding the main investment unit holders, was initially in the grey zone of legislation.

During the years of the sudden proliferation of private equity funds, this ambiguity caused headaches for many bank officers responsible for anti-money laundering (AML), customer due diligence, and sanctions screening. The concerns were aggravated by the suspicion that in a large part of private equity funds, the fund manager's role appeared to be formal, suggesting that the investor who apparently controlled the investment decisions – based on the investment policy or on informal grounds – selected this type of investment tool essentially because of the increased privacy level comparing to those applicable in the case of ordinary company shareholdings.

The practices of banks, who are primarily responsible for sending their clients' ultimate beneficial owner (UBO) data to the central UBO register, were very divergent in 2021-2022. So much so that, after the launch of the Hungarian central UBO register in 2022, in the case of some private equity funds the register contained the unit holders possessing at least 25% of all investment units, while in the case of others, it indicated the senior manager of the fund manager as the UBO, or contained no information on the UBO at all, keeping the majority investors undisclosed toward the UBO database.

Following some position letters and statements of the affected ministries, it was the tax authority operating the UBO register that ultimately put an end to this uncertainty in mid-2023 by deleting all UBO data from the central register in connection with all private equity funds. It claimed that such entities do not fall under the scope of the act that created the central UBO register. The opponents kept arguing that the unit holders of private equity funds reaching 25% do fall within the beneficial owner definition of the effective EU money laundering directive (*AMLD-5*).

Now, this situation has substantially changed again from January 1, 2025, when new provisions entered into force inserted in the *Hungarian AML Act* and in the *UBO Register Act*. Following this amendment, the referenced acts will explicitly list private investment funds (meaning venture capital funds and private equity funds) for those entities to which UBO-reporting obligations will apply. The new amendment clearly defines those who qualify as beneficial owners of private equity funds: they are primarily those natural persons who directly or indirectly hold together with their close family members at least 25% of the fund's investment units. Notably, the definition is open to including other types of control and influence as well.

It is however important that, for existing private equity funds (i.e., those registered by January 1, 2025), the obligation to upload UBO data will first apply only in July 2026. This corresponds to the date when the transposition deadline specified by the new AML Regulation adopted by the Council on May 31, 2024, will expire.

It has to be mentioned that, following the judgment of the Court of Justice of the EU passed in a milestone case in late 2022 (joined cases *C-37/20* and *C-601/20 – WM and Sovim SA v Luxembourg Business Registers*), the Hungarian legislator (similarly to several other EU member states) cut off the unconditional publicity of the central UBO-register in 2023. As a result, UBO data of private equity funds uploaded starting from 2025 (or mid-2026) will only be available to the competent authorities and obliged entities. There will also be a possibility for third parties to access this data if they can verify with relevant documentation that they have a legitimate interest in the UBO data for the purposes of anti-money laundering or combatting the financing of terrorism.

Greece: Banking & Finance – A (Green) Sea of Opportunities?

By Marios Bahas, Managing Partner, and George Alexandris, Senior Associate, Bahas, Gramatidis & Partners

Over the recent years, Greece has taken significant steps in stabilizing its banking sector, owing to several regulatory reforms and a strengthened capital position of its banks. Moody's revision of the country's outlook to "positive" in September 2024 is mainly attributed to the recovery of the Greek banking sector and the country's strong economic performance. The privatization of the Greek systemic banks marked a key milestone for this positive outcome and a shift toward market-driven governance, stronger operational independence, and improved investor confidence. At this turning point, the country's alignment with the EU's climate-neutral economy by 2050 has set the stage for sustainable growth in the banking sector and the wider economy. Additionally, the long-anticipated implementation of the *Basel III EU Framework* can be instrumental in navigating the Greek banking sector toward a new era of stability and prosperity.

Is Greece Basel III-Ready?

Whilst *Basel III* introduces stricter standards with respect to capital adequacy, liquidity, and risk management, the Greek banking sector has been progressively aligning with these standards over the past years, demonstrating enhanced resilience and relatively stable capital adequacy. In the first half of 2024, even though banks showed an increase in capital, this was offset by a rise in risk-weighted assets (RWAs). As such, there was a decrease in the Common Equity Tier 1 ratio (CET1) from 15.5% (December 2023) to 15.4%, and the Total Capital Ratio (TCR) remained stable at 18.8%. Although both ratios remain slightly below the EU average (CET1: 15.8% and TCR: 19.9%), liquidity levels are satisfactory, and the impact of *Basel III* on Greek banks' capital adequacy ratios is expected to be modest in 2025, even though banks will need to recalibrate their RWA models to ensure compliance with the new standards. However, the management of non-performing loans (NPLs) will remain a critical issue for banks that will require ongoing attention.

NPLs: A Thorn of Grace?

The quality of the banks' loan portfolios deteriorated slightly in the first months of 2024 mainly because of the addition of certain state-guaranteed loans in the NPL categories, following requirements imposed by the supervisory authorities. This led to an increase in NPL volumes, totaling approximately EUR 0.5 billion. Notwithstanding, the *Hercules Asset Protection Scheme* (HAPS) has played a crucial role in stabilizing the banking system by facilitating the offloading of NPLs from the banks' balance sheets through securitization with state guarantees. The Greek government recently extended the scheme (HAPS III), aiming to reduce NPL volumes to EU levels. The extension of the scheme was originally designed to support the so-called "fifth banking pillar," namely the merger of Attica Bank and Pancretan Bank, by facilitating the securitization of the two banks' NPL portfolios. It is noted that following the successful merger of the two banks and the upcoming securitization of their NPLs portfolios (valued at approximately EUR 3.7 billion), the merged bank will be able to compete on an equal footing with the four systemic banks, enabling it to serve segments of the Greek market showing increased financing demand, such as small businesses.

At the same time, as the volume and value of NPLs continue to decrease, the secondary market for these loans is expected to grow. A key driver of this growth is the focus on buybacks, where banks reacquire loans that have been successfully restructured, in line with criteria set by the European Central Bank. The risk of these loans, however, becoming non-performing again remains.

A Shift Toward a Green Economy

While the outlook of the Greek banking sector remains positive, its prospects are closely tied to the macroeconomic trajectory of the country, which is further shaped by external factors, such as investments. The country's green agenda, aligned with the wider EU agenda, plays a crucial role, with initiatives such as the Decarbonization Fund for Greek Islands, aimed at reducing fossil fuel and promoting sustainable energy sources, creating a sea of investment opportunities. An expected increase in investment activity together with regulatory reforms that promote sustainability goals present new opportunities for the banking sector, which is increasingly focusing on green financing and sustainable investments.

Greek banks have started embracing green financing, including financing renewable energy projects and sustainability-linked loans. However, increasing demand for sustainable financing still raises big challenges for banks in terms of ensuring compliance with EU regulations, imposing enhanced compliance and disclosures. Greek banks will need to assess the environmental impact of projects and evaluate their exposure to climate transition risks, particularly in sectors not aligned with carbon reduction goals.

Czech Republic: Cybersecurity and Financial Institutions in Light of DORA and NIS2

By Ondrej Havlicek, Partner, and Martin Svoboda, Associate, Schoenherr

The DORA regulation (*Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector*) is an essential piece of European legislation aiming to bolster cybersecurity within the EU. In this effort, it joins the NIS2 directive (*Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union*). While several types of financial institutions fall under the NIS2 directive, it is primarily DORA that aims specifically at enhancing the operational resilience of the financial sector while establishing a comprehensive framework to ensure that all financial entities regulated under DORA can withstand, respond to, and recover from disruptions and threats related to information and communications technology (ICT).

Supplementing other regulatory frameworks mandated by the EU, DORA (along with NIS2) introduces a unified set of standards for digital operational resilience that regulated financial entities must integrate into their risk management strategies following its applicable date of January 17, 2025.

To Whom Does the Regulation Apply?

To establish a high level of cybersecurity within the EU's financial system, European legislators decided to include a wide range of financial institutions that will be required – to a greater or lesser extent – to apply the rules and standards introduced by DORA. The list of obliged entities under DORA includes, among others: credit institutions, investment firms, insurance and reinsurance undertakings, payment and electronic money institutions, managers of alternative investment funds, UCITS management companies, crypto-asset service providers, crowdfunding service providers, and ICT third-party service providers.

The entities subject to DORA are recognized as essential to the infrastructure and security of the EU's financial system. As such, they are expected to maintain a high level of digital operational resilience to protect both the financial markets as well as their participants.

Obligations Under DORA

Entities subject to DORA are expected to comply with a range of requirements imposed by the regulation, including various technical, organizational, and legal measures. The core obligations to be implemented by the respective entities include: (a) ICT risk management, (b) reporting of cybersecurity incidents to competent authorities, including the establishment of communication channels, (c) regular testing of the digital operational resilience, (d) regular training of employees and managers, and (e) management of risks related to third-party service providers (including setting up key contractual provisions with such providers).

In addition to these core obligations, financial institutions may also (under certain conditions) enter into information-sharing arrangements on cyberthreat information and intelligence, which should further solidify security and cyberthreat awareness across the EU through the sharing of experience with various cyberattacks and their practical solutions.

Czech Implementation of the EU Cybersecurity Regulation

The upcoming Czech implementation of the EU's cybersecurity regulation comprises several specifics. There is currently a new draft act on cybersecurity being discussed in the Czech Parliament that should implement NIS2 into the Czech legislation and replace the current *Act on Cybersecurity* that has been in force since 2014. On top of various additional requirements and obligations introduced specifically by the Czech legislator, the draft act also includes several financial institutions in addition to those that are already included under the NIS2, namely payment institutions and e-money institutions, provided they meet specific payment volume criteria.

In addition to the draft *Act on Cybersecurity*, a new draft *Act on Digital Finance* has also been introduced, aiming at implementing – or, more specifically, further expanding – the DORA regulation as well as the MICA regulation (*Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets*) into Czech law. *The Act on Digital Finance* establishes the Czech National Bank (CNB) as the supervisory authority in relation to the cybersecurity of financial institutions under DORA, with the power to impose remedial measures and fines on the institutions under its supervision. Furthermore, as the general supervisory authority responsible for cybersecurity-related matters will be the Czech National Cyber and Information Security Agency (NCISA), it may in practice pose certain supervisory issues, as several types of financial institutions may fall under the supervision of both the NCISA and the CNB.

Turkiye: Non-Performing Loans – Regulatory Landscape and Industry Impact

By Alaz Eker Undar, Partner, CMS

Turkiye has long had one of the lowest non-performing loan (NPL) rates in Europe, but recent years have seen some ups and downs. Between 2017 and 2020, the rate fluctuated between 3.25% and 3.46%. During the pandemic, the rate dropped significantly as borrowers benefited from extended loan payment schedules. Thereafter, the rate rose briefly before falling below the European Union average of 2.27% in 2023. Since the beginning of 2024, however, rising interest rates have pushed the NPL rate back up, to 1.71%. Experts expect the rate to rise to 2.5% by the end of the year, above the EU average and a challenge for borrowers and lenders.

Turkiye has established a clear regulatory framework for dealing with NPLs. Loans are classified as non-performing if they are overdue for more than 90 days or if a borrower has to take out a new loan to cover missed payments. The framework also includes rules for companies that manage and purchase these loans, called asset management companies. These companies follow specific guidelines on how to operate and how to transfer debts.

The establishment of an asset management company in Turkiye requires the approval of the Banking Regulation and Supervision Agency (BRSA) based on certain requirements prescribed by law. Even after initial approval, they must meet additional conditions, including maintaining experienced management and reliable systems for handling their activities. At least three board members must have seven years' experience in fields such as law, economics, or banking. If an asset management company fails to meet these requirements, it risks losing its license to operate.

The role of asset management companies is carefully regulated. Their main task is to buy troubled loans from banks and other financial institutions and then work to collect payments. They are prohibited from offering loans or engaging in any other business outside this scope. The transfer of loans must follow a fair and transparent process, often involving a public tender where all bidders are treated equally. This ensures that the process is open and competitive.

Financial institutions transferring loans to these companies are required to inform borrowers of the relevant transfer in question. This includes providing details of the asset management company now handling their debt. Before the transfer is finalized, the relevant institution must provide all relevant information about the loans, such as the amount owed, any legal action taken, and the borrower's contact details. They must also be prepared to respond to any questions or complaints from borrowers pertaining to the transferred loans.

After taking over the loans, asset management companies must notify the borrowers in writing or electronically. This notification explains key details about the debt, including the amount owed, its origin, and what could happen if it is not paid. When first contacting borrowers, firms must provide this information in a clear and simple way. They must also send a written follow-up to the borrower's address to ensure transparency. If borrowers are unable to pay or fail to reach an agreement with the company, legal action may be taken to recover the debt. Any payments made during this process must be reported to the authorities to ensure proper records are kept.

Some asset management companies use external service providers to assist with debt collection. However, these companies remain fully responsible for ensuring that all actions are compliant. Contracts with third-party service providers must meet regulatory standards and be available for inspection by the authorities if required. The BRSA closely monitors these companies and can suspend or revoke their license if they fail to comply. Asset management companies must also keep the authorities informed of any major changes, such as opening new branches or changing their business structure.

The Turkish NPL market is increasingly attractive as high interest rates and inflation pressure borrowers. These conditions create opportunities for asset management companies to grow their operations. However, strict regulatory compliance is crucial for maintaining market confidence and smooth operations.

Managing non-performing loans can be complex, but Turkiye's regulatory framework offers a strong foundation for success. By following these rules and communicating clearly with borrowers, asset management companies can thrive while supporting financial stability.

Austria: Digital Operational Resilience Act (DORA) – Opportunities and Challenges

By Robert Wippel, Partner, and Balint Ozsvar, Associate, Baker McKenzie Austria

The *Digital Operational Resilience Act* (DORA) is a central component of the EU's *Digital Finance Package*. The aim is to enhance information and communications technology (ICT) security and digital operational resilience in the financial sector. Financial institutions and ICT service providers have until January 17, 2025, to fully implement the requirements.

What Is DORA?

DORA creates a unified legal framework to boost financial institutions' resilience against digital threats in the EU. It applies to most regulated financial institutions, including investment firms, credit and payment institutions, and third-party ICT service providers. Specialized financial institutions with simplified risk management and microenterprises are mostly exempt. The principle of proportionality ensures implementation varies based on size, risk profile, and the complexity of services and operations.

DORA introduces new compliance requirements for financial institutions. Management must oversee ICT risk management, establish governance frameworks, monitor IT risks continuously, and prepare for emergencies. Standardized regulations mandate handling IT disruptions with strict reporting of incidents and regular IT audits.

To prepare for ICT-related incidents, DORA mandates an extensive testing framework to prepare for ICT-related incidents. In particular, institutions in the scope of DORA must maintain and review a robust and comprehensive IT resilience testing program, including threat-led penetration testing to address vulnerabilities. These tests can be carried out by independent internal or external parties. In the case of internal testers, conflicts of interest must be ruled out.

Additionally, DORA is not only applicable to institutions but also covers certain third-party service providers, being undertakings that are providing ICT services to institutions on an ongoing basis. DORA also has extraterritorial reach, requiring entities outside of the EEA that provide ICT services to institutions within the EEA to comply with its regulations. A significant aspect of DORA in this context involves specifying contractual terms that must be included in agreements with ICT suppliers.

While DORA will be implemented alongside existing regulatory guidelines of similar nature (particularly the *EBA Outsourcing Guidelines*) and essentially elevates some of the rules contained in these guidelines to directly applicable law, there are currently some distinctions between these two frameworks. The EBA is already working on a gap analysis and an update of the *EBA Outsourcing Guidelines* is expected to be published early next year.

What Challenges Need To Be Considered During Implementation?

DORA requires extensive adjustments to internal processes, risk management, and IT infrastructure by means of investing in new processes and technologies. Small to medium-sized companies can face challenges with providing the necessary human and financial resources to fulfill the requirements. Another difficulty is the process of harmonizing requirements for third-party providers. To date, there are no uniform market standards in this area, particularly among international ICT service providers, which will be very important due to the dependence on external ICT services.

What Are the Benefits?

DORA will significantly enhance protection against cyberattacks, thereby bolstering customer confidence in the financial sector. The framework places a strong emphasis on transparency and accountability, ensuring that customers are well-informed about the operational resilience of financial service providers. This is further underscored by the stringent incident reporting requirements mandated by DORA.

The regulation is also anticipated to foster close collaboration between ICT service providers and financial institutions. This partnership is expected to drive technological innovation, merging the traditional expertise of banking units with the cutting-edge advancements of ICT service providers. This synergy will likely result in superior digital solutions for financial service customers, enhancing the overall quality and reliability of financial services.

Supervision and Sanctions

ICT third-party service providers critical for financial institutions will be supervised by the European Supervisory Authorities (ESAs), with one authority (EBA, ESMA, or EIOPA) as the lead. This designation is based on the institution's primary financial supervision type. The lead supervisory authority has the right to obtain information, conduct investigations, request the preparation of reports, and make recommendations in order to fulfill its duties.

Financial companies must comply with the DORA framework, which will be monitored by the national competent authorities (e.g., the FMA in Austria). National competent authorities can impose administrative penalties for breaches, defined by national law. Member States may also impose criminal sanctions, ensuring cooperation between law enforcement and the ESAs, with guaranteed information exchange. In Austria, the *DORA Implementation Act* will take effect on January 17, 2025, imposing administrative penalties of up to EUR 150,000 on officers and managers, and the higher of EUR 500,000 or 1% of annual turnover on institutions.

Lithuania: The Launch of the Markets in Crypto-Assets Regulation

By Ausra Brazauskiene, Partner, Widen

The *Markets in Crypto-Assets Regulation* (MiCAR) has just been launched, and this brings big changes for crypto-asset markets in the European Union. MiCAR applies to both crypto-asset service providers (CASPs) and crypto-asset issuers, but it focuses mainly on CASPs due to the higher risks involved with their activities. Each EU member state has the option to set its own transition periods for implementing the CASP regulations.

In Lithuania, the transition period is only five months, starting from January 1, 2025. CASPs must receive licenses as financial market participants until June 1, 2025. This means that any CASP operating in Lithuania (currently there are around 250 CASPs in the country) must obtain a license to continue its activities after that date. Given that Lithuania has always been a crypto-assets start-up hot spot, the CASP licensing process will attract a lot of attention.

Getting a CASP License in Lithuania

Formally, the process of reviewing a CASP license application in Lithuania should take up to 65 working days. This timeline can be extended to 85 working days if there are issues with the documents or application. However, the process will probably take no less than five months because the Lithuanian supervisory authority (the Bank of Lithuania) usually requests more information if the submitted details are incomplete or incorrect.

It is important to note that the Bank of Lithuania places a strong emphasis on the reputation and experience of the people behind the CASP. When applying for a license, CASPs must provide proof of the reputation of their shareholders and managers. The supervisor wants to ensure that these individuals are credible and have the necessary expertise to manage a crypto-asset business.

Additionally, applicants must provide full details about the source of their funds. This includes the shareholder's business history and the financing scheme used to capitalize the company. The Bank of Lithuania would consider it good practice for a CASP to have a sufficient capital buffer to cover foreseeable and unforeseeable operational losses.

Why Transparency and Reputation Matter

The Bank of Lithuania is very strict when it comes to transparency and accuracy. It will not tolerate shell companies or entities that fail to provide full or correct information. For this reason, CASPs should ensure that all required documents are submitted and that those documents are accurate and clear. The Bank of Lithuania is not only looking at the quality of the application but also the credibility of the people behind the business. Companies with any connection to fraudulent or unethical activities may find their application rejected.

Factors Leading to CASP License Rejection

The Bank of Lithuania has broad powers to refuse a license. This goes beyond the standard provisions of MiCAR. If a CASP fails to meet the licensing requirements or provides misleading information, the Bank of Lithuania can reject the application for objective and justified reasons. The supervisor has the right to refuse a license if the applicant or other persons with close links to the applicant create conditions that prevent the effective exercise of supervisory functions.

Furthermore, the Bank of Lithuania can refuse a license if the laws, regulations, and administrative provisions of a third country governing the applicant or those with close links to it obstruct the effective exercise of supervision. This includes assessing the applicant's management competence, business model reliability, and ability to manage risks associated with crypto-asset services.

Preparing for the Licensing Process

It is crucial for any CASP looking to operate in Lithuania to prepare thoroughly for the licensing process. Companies should start by ensuring that they have all required documentation ready and that they understand the licensing requirements in detail.

Applicants should pay particular attention to the following elements: (1) reputation checks (ensuring that the company's shareholders and managers have an impeccable reputation in the industry); (2) clear financial documentation (source of capital and any complex ownership structures); and (3) complete application (all forms and supporting documents are complete and correct before submitting). Given that the Bank of Lithuania places high importance on transparency, applicants should not hesitate to seek legal or regulatory advice if they are unsure about any part of the process.

Conclusion

The upcoming implementation of MiCAR will significantly change how CASPs operate across the European Union. Only licensed entities will be allowed to continue offering crypto-asset services. The licensing process requires more than just submitting an application – CASPs must demonstrate the credibility and experience of their shareholders and managers, disclose the source of their funding, and ensure that their corporate structure is clear and transparent. The Bank of Lithuania is committed to ensuring that only trustworthy and capable entities are allowed to operate in the market.

Latvia: Third-Party Assets Held by a Credit Institution in Cases of Insolvency

By Armands Rasa, Partner, and Anete Boze, Attorney, Widen

A credit institution typically possesses funds belonging to depositors. However, there may be situations when the institution also holds property that belongs to third parties. This article aims to examine the concept of third-party property in the case of a credit institution's insolvency.

Pursuant to the *Credit Institutions Law*, the list of properties of a credit institution shall include deposits and interest on deposits but shall not include other properties belonging to third parties that are held by the credit institution.

First, it is necessary to define the term "holding." "Holding" implies having actual power over an asset that is owned by another.

The *Credit Institutions Law* does not provide a legal definition of the term "third party." It does stipulate that a "creditor" is a person bound by a contract that has a claim against a credit institution. A third party also has a claim against a credit institution, so that characteristic is not decisive in determining whether a person is a third party or not.

Furthermore, in accordance with the *Credit Institutions Law*, a "customer" is a person to whom a credit institution provides financial services. Consequently, we can presume that a third party is a person to whom the credit institution does not provide financial services.

The Senate of the Republic of Latvia in the decision of March 29, 2019, in case *No. SPC–3/2019* has indicated that: "*In order for the balance of funds in the client's account to be included in the credit institution's assets [..] it is insufficient to establish the account balance on the day of [the] insolvency application. It is also necessary to make sure that the funds are not the property of a third party, especially in a situation where the customer of a credit institution indicates in the application to the administrator the circumstances due to which it considers that the funds should be recognized as the property of a third party.*"

Consequently, the credit institution is obliged to make sure the funds are not considered to be the property of a third party.

The Financial and Capital Market Commission (FCMC) considers that the concept of a "property owned by third parties and held by the credit institution" is to be interpreted narrowly. As such, the provision in question does not provide for the inclusion of funds that are in the possession of the credit institution and not in holding and are reflected in the balance sheet of the credit institution – i.e., the credit institution is entitled to use them.

The FCMC explains that property owned by third parties and held by a credit institution is considered to be funds that, in accordance with the concluded agreement, are kept separately by credit institutions from other property of the credit institution.

This raises one question: if a credit institution has terminated its business relationship with a person but the funds remain with the credit institution, should that person be regarded as a "creditor" or a "third party"? To answer this, it is essential to examine and clarify the legal and practical implications that result from a credit institution's termination of its business relationship with a client.

According to the *Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing of Latvia*, a credit institution has the right to terminate business relations with a client on its own initiative by closing the relevant client accounts and transferring the funds to the same person's account in another credit institution. Thus, upon termination of the business relationship, the credit institution is no longer entitled to provide any financial services to the person, and the credit institution is obliged by law to transfer the funds.

It can be concluded that in cases where a credit institution has terminated its business relationship with an individual and subsequently becomes insolvent, the funds belonging to the individual are considered assets of a third party in the possession of the credit institution. Therefore, these funds must be excluded from the institution's property used to satisfy creditor claims.

Ukraine: The Changing Landscape of Cross-Border Finance

By Anton Korobeynikov, Partner, Sayenko Kharenko

The Russian aggression against Ukraine has reshaped the landscape of cross-border finance in the country. While the initial shockwaves of the conflict saw financing dry up almost entirely, with most support directed toward the government, a gradual but significant shift has occurred.

In the immediate aftermath of the invasion, all lending to Ukraine understandably stalled, with only emergency funding provided to the Ukrainian government, which was responsible for keeping the country's financial system from collapsing. On its part, the National Bank of Ukraine (NBU) used its currency control mandate to impose an almost complete ban on making cross-border payments from Ukraine. Nearly three years after the full-scale invasion, the financing situation is far from what it was pre-2022, but participants and regulations have adapted.

The Shift in Funding Sources

As is often the case under similar circumstances, while private lending froze, support continued to flow from international financial institutions (IFIs) like the EBRD and IFC. Since 2022, the EBRD has deployed over EUR 4.5 billion in Ukraine and intends to continue supporting the country in different sectors and industries. The IFC has invested USD 1.6 billion in Ukraine, more than double the average annual financing provided before the invasion.

In addition to IFIs, foreign governments have been providing substantial support to Ukraine in many forms at a government-to-government level. Many foreign governments have also designated private-sector programs for Ukrainian businesses. These are usually implemented through export credit agencies or national development banks. The projects cover different products, ranging from portfolio guarantees for banks, smaller and medium-sized trade finance, and large project finance.

Faced with unprecedented challenges, private lenders have primarily focused on managing their existing investments in Ukraine. This has often involved restructuring debt and deferring payments rather than taking on new risks. In some cases, private lenders have participated in new financing under the protective umbrella of governmental agencies or ECAs, mitigating their exposure to the volatile environment.

Regulatory Adaptation

Recognizing the need to stimulate investment and facilitate reconstruction, the NBU has adopted a pragmatic approach to regulating cross-border finance. A key element of this approach has been to provide greater flexibility for projects backed by highly reputable institutional lenders, including IFIs. In these cases, borrowers are granted considerable freedom to service and repay their debt, a move designed to incentivize further investment from these crucial sources.

This regulatory flexibility stands in contrast to the more restrictive environment faced by private lenders. While they are permitted to receive interest payments on pre-existing debt that was not in default as of February 2022 (with additional conditions attached), principal repayments remain restricted. To encourage private lending, the NBU has introduced a specific regime for "new money" private lending, where funding has been provided since June 2023. Only funds lent from outside of Ukraine would be eligible (i.e., a foreign lender using funds held in Ukraine to provide a loan would not be able to take the benefit of getting repaid to a foreign account). For these projects, both servicing and repayment are allowed. Still, limitations on early repayment are in place, meaning that once parties agree on a repayment date or repayment schedule, the borrower will be forced to stick to it. Finally, the NBU has reintroduced a requirement that was abolished many years ago – a so-called "maximum interest rate," a cap on interest, fees, and all servicing payments other than the principal repayment. This rate is currently set at 12% per annum, adding another layer of complexity for private lenders to consider.

The Outlook for Cross-Border Finance

The future of cross-border finance in Ukraine remains closely tied to the trajectory of the war and the ongoing and future recovery efforts. In the immediate future, the present categories of lenders are expected to continue playing a key role in providing new financing due to the security situation. At the same time, beyond the immediate security concerns, a persistent challenge to attracting finance from any source is the availability of bankable projects with sound legal structures and viable business models. Ultimately, to ensure Ukraine's long-term economic recovery, businesses, the government, and regulators must collaborate to establish a transparent and adequate regulatory framework, develop attractive projects, and leverage cross-border finance for the nation's reconstruction and recovery.

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