

Macedonia

Chamber of commerce:

Economic Chamber of Macedonia
Str. Dimitrie Cupovski 13
1000 Skopje
Macedonia
Tel: +389 2 324 4000
Fax: +389 2 324 4088
Email: ic@ic.mchamber.org.mk
Web: www.mchamber.org.mk

Professional body:

Macedonian Bar Association
Dame Gruev 3/5/8
1000 Skopje
Macedonia
Tel: +389 2 212 452
Fax: +389 2 235 409
Web: www.mba.org.mk

Financial markets continue to develop

Ljubica Ruben
Mens Legis
Skopje

Following the collapse of communism in central and eastern Europe, all countries from this region, including Macedonia, were faced with a very difficult task: to overcome the legacy of the inefficient socialist economy and adopt market principles. The challenges were enormous. The legal and political uncertainty, weak infrastructure, poverty, lack of market principles and basic market institutions plus internal conflict made this task not at all easy.

Because of the Republic of Macedonia's history as part of the Former Republic of Yugoslavia, some financial institutions with a long history in other countries (such as a stock exchange, brokerage houses and securities commissions) have only recently been introduced and established (in the past 10 years) in Macedonia. Since their establishment, these institutions are in the process of continuous development. Following changes in the business environment, the government is in the process of introducing necessary amendments of related laws which will allow institutions a more efficient operating environment.

The government intends to open up the financial market to foreign investors. The prerequisite for realising this objective is to provide suitable and attractive conditions for foreign investors and specific guarantees for the safety of foreign investments. The plan is also to become a member of the EU and to ensure that Macedonian legislation is in line with EU laws.

Banking and insurance

One of the main intentions in the banking and insurance sector is to ease foreign banks' and insurance companies' market access in the territory of the Republic of Macedonia. Thus, the new Law on Banks (enacted on June 1

2007) and the new Law on Insurance Supervision already contain provisions giving banks and insurance companies from EU member states direct access to the Macedonian market, avoiding the long establishment and licensing procedures.

At this point, it is important to mention that these incentives for EU countries will be in full force and effect after Macedonia acquires full EU membership. Until then, a licence is required for performing banking or insurance activities.

As a result of the liberalisation process, the number of foreign banks or insurance companies entering the Macedonian market has increased. The participation of foreign banking and insurance companies comes mostly through the acquisition of domestic banks and insurance companies.

Corporate activities

During the last year, important changes have come about in corporate activities. All of these changes in the Company Law seek to simplify the procedure for the establishment of companies in terms of procedure, documentation, time and costs.

At the moment, a company can be established and registered in the Central Register for only one to two days. The fees for registration of the company in the Central Register have fallen by 50%. Furthermore, the latest amendment of the Company Law, of July 2008, abolished the requirement for notarisation of the establishment documents.

Investors are provided with additional incentives through the taxation system by a decrease in tax rates. As of January 1 2008, the corporate profit tax rate is only 10%.

Financial market

Amending the law on securities and the law on investment funds, the financial market in Macedonia has seen an increase in the number and activity of financial institutions. The law on investment funds introduced private funds

and private fund management companies. The first companies of this kind already operating, as well as their clients, have shown an interest in them. The establishment of private funds and fund management companies was without the consent of the Securities and Exchange Commission.

Private funds are established for a limited period of at least eight years with committed capital of minimum €500,000. The maximum number of investors in a private fund is 20.

Private funds are managed by private fund management companies, which can be established as limited-liability companies or joint-stock companies with core capital of at least €50,000 if managing one private fund or €25,000 for each next fund, if they manage more than one.

Mergers and acquisitions

The commission for the protection of competition will be notified of a concentration if:

- the aggregate turnover of all undertakings participants, generated by sale of goods and/or services on the world market, is more than €10 million in denar equivalent, by the current rate of the day of closing the annual financial statement, realised during the business year before the concentration and provided that at least one participant is registered in the territory of the Republic of Macedonia;
- the aggregate turnover of all undertakings participants, generated by sales of goods and/or services in the territory of the Republic of Macedonia, is more than €2.5 million in denar equivalent, by the current rate of the day of closing the annual financial statement, realised during the business year before the concentration;
- the participation of one of the undertakings is more than 40% or their joint participation on the market is more than 60%; or
- the law provides for suspension of concentration before obtaining clearance from the

commission, as well as certain exceptions to this rule.

The abovementioned amendments in the regulations are only part of the governmental activity and effort to create a sound and stable legal and business environment; positive changes are also afoot for other institutions. We sincerely hope that the experiences of the foreign investors already present in the market, as well as the incentives provided for investors through the legislation, will give positive signals to other investors who may find Macedonia an attractive venue for investment.

Financial and corporate

Recommended firms

Tier 1

Law Office Knezovic & Associates
Lawyers Antevski
Mens Legis Cakmakova Advocates
Mens Legis Law Firm
Polenak Law Office

Tier 2

Debarliev Dameski & Kelesoska
IKRP Rokas & Partners
Monevski Law Firm
Pepeljugin Law Firm

The Macedonian market is experiencing a transitional period, with the government implementing a number of economic reforms, including the creation of laws for financial institutions and the separation of laws for non-banking institutions. The government is also investing in different market sectors [US1] in Macedonia to attract foreign direct investment into the country.

Macedonia's two main investment areas - real estate and infrastructure - are likely to keep growing, with a new property law, which enables foreigners to purchase real estate in the country, to become active from January 2009. On the infrastructure side, the privatisation of the thermal plant TEC Negotino rolled on this year, seeing new bid offers from an assortment of international players.

Despite the reforms, the Macedonian market still battles a notorious level of corruption, and the judicial system desperately needs to curtail bureaucracy and simplify procedures to speed up business. The two issues are closely linked in the minds of those doing business in the country: "Bureaucracy is corruption, and corruption is bureaucracy," says one local partner.

Law Office Knezovic & Associates

Knezovic & Associates was seen acting on a multitude of notable transactions over the last year. Marina Stevanovska and Katarina Atanasova joined the firm in the past year and have been instrumental in some key deals.

In one highlight, Anastasova advised on Investbanka's €38 million attempted sale of shares to a potential buyer. The firm is also seeing standout deals in the infrastructure sector, advising a Norwegian company on its bid to acquire hydropower plants in Macedonia.

Although Macedonia's legal market is a relatively small by western standards, the firm has managed to secure mandates from a number of reputable international clients including ArcelorMittal, Bank Austria and the Coca-Cola Company.

Leading lawyers

Dejan Knezovic

Lawyers Antevski

Lawyers Antevski retains its position at the top of the market after experiencing another successful year. The firm's capacity was boosted when three new lawyers joined the team this year. The firm provides commercial services from its main office in Skopje, and through representative offices in Liechtenstein and Vienna.

On the banking side, the firm has been advising BNP Paribas on a €10 million structured deposit facility. Privatisation transactions are also keeping the firm busy: in one highlight deal, the firm advised on the acquisition of TEC Negotino.

Lawyers Antevski was also seen advising on joint-venture agreements. In one, the firm advised on a €1 million project by two Norwegian companies and a Macedonian company to establish Teteks Yarn.

Elsewhere, the firm is advising Bickhardt Bau in the acquisition of construction land in Macedonia. Lawyers Antevski is acting for the seller in the deal, which also involves negotiations with the Government of Macedonia. In addition, the firm advised on the construction of small-scale hydropower plants in Macedonia.

Leading lawyers

Zlatko Antevski
Aleksandra Donevska

Mens Legis Law Firm

Mens Legis Law Firm has gone from strength to strength since its split in 2006, receiving

some particularly notable transactions in the real-estate and PPP markets this year.

In one notable deal, the firm advised South Eastern Energy Capital on the €68 million privatisation process of TPP Negotino. Another deal saw the firm advise an insurance company in Slovenia in the €28 million acquisition of shares of Vardar Insurance.

In addition, founding partner Ljubica Ruben advised on the establishment of MP Asset Management in Macedonia.

Leading lawyers

Ljubica Ruben

Polenak Law Office

Polenak Law Office, established in 1945, has solidified its M&A and banking practice by acting on some market-leading transactions over the past year. The firm is a member of the and frequently receives mandates from international firms such as Baker & McKenzie, Chadbourne & Parke and Squire Sanders & Dempsey.

In the past year, the firm has been advising German energy group RWE in the tendering process for three large hydropower projects in Macedonia. On the banking side, the firm acted for a syndicate of shareholders led by the European Bank for Reconstruction and Development (EBRD) in the sale of a Macedonian bank.

Polenak Law Office also receives a fair share of mandates from domestic clients, including pharmaceutical company Alkaloid, hotel group Makedonijaturist and the Export and Credit Bank. Other international clients include Calyon, ING Bank, Goldman Sachs, RBS and Standard Bank.

Leading lawyers

Kristijan Polenak

Debarliev Dameski & Kelesoska

"They're fine; we couldn't fault them really in terms of the response we expect from them," says one client of Debarliev Dameski & Kelesoska. "Compared to other firms in the region they're really very professional. They do what we need and we've never had any problems with them."

Over the years the firm has managed to build a solid reputation in the energy sector. Elena Miceva, a lawyer who joined the firm in January 2008, advised energy supplier Verbund on its attempted €500 million acquisition of the TEC Negotino thermal power plant.

Name partner Dragan Dameski is also active in the firm's project finance practice. In one standout deal, Dameski is advising the

Government of Macedonia on the construction of roads, airports and state-owned real estate. Dameski is also advising Koç Holding on the sale of its subsidiary, European hypermarket Ramstore. "He's absolutely fine, very receptive to our requirements," says a client of Dameski. "He always gets back to us on time."

Leading lawyers

Dragan Dameski

Monevski Law Firm

Monevski Law Firm had a steady year in which it secured a number of project finance deals. The firm prides itself on its expertise in real-estate and energy work, and boasts roles on a number of foreign-investment transactions. The firm also expanded its practice this year by taking on two lawyers.

In the past year, the firm advised a consortium including Canadian energy company Hatch, UK engineering consultancy Mott MacDonald and Bulgarian company Finance Engineering Unit on its €61.8 million bid to take over a thermal power plant. PCC SE Germany and DEG Germany also sought the firm's advice in a tendering procedure for small hydropower plants and a water concession agreement.

New recruit Jasmina Vasiljevska advised Slovenian power trader Gen-I on the tendering procedure of a power facility in Macedonia. In September 2007, the firm also advised on the acquisition of a production plant through a share purchase.

Other foreign clients include the EBRD, KPMG, Qantas Airlines, Verbund Austria and the Maple Financial Group.

Leading lawyers

Valerjan Monevski