

Macedonia

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Financial markets continue to develop

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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 oper-

ating, 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 Camakova Advocates
Mens Legis Law Firm
Polenak Law Firm

Tier 2

Debarliev Dameski & Kelesoska
Monevski Law Firm
Law Office Pepeljugoski
Trpenoski Law Firm

Macedonia has seen foreign investment tail-off since the double whammy of the global economic downturn and the blocking of the country's entry into Nato. The denial of Nato entry is mainly down to Greece, which Macedonia is in dispute with over the name of the country. Since Nato entry has stalled, partners report an almost instant decline in foreign investment into the country.

The result is that no new projects are predicted to launch in the near future, curtailing a profitable source of work for law firms. When investment does come back, it is expected to focus on energy, particularly renewable energy. Companies from countries such as Slovenia, Israel and Austria are expected to be the primary drivers of international investment.

The sale of Cosmofon to Telecom Slovenje is arguably the largest M&A deal of 2009 in the country. Some lawyers hope that the buyer might look to increase the mobile phone company's infrastructure, which could benefit some firms in the form of finance work.

Law Office Knezovic & Associates

Partner Dejan Knezovic is consistently named as one of Macedonia's leading financial and corporate practitioners. Knezovic

leads the small, but capable, team at the firm that concentrates on working with international clients.

Regular clients include multinational corporations operating in the country such as Coca-Cola, ArcelorMittal and Bank Austria.

Leading lawyers

Dejan Knezovic

Lawyers Antevski

Lawyers Antevski is well positioned to take advantage of any future upturn in international investment in the country. The firm has representative offices in Lichtenstein and Vienna, two important sources of investment for the country. The firm counts the World Bank Group as a client.

Lawyers Antevski represented the Austrian company Flughafen Wien on the recovery by Macedonian Air Transport. Another Austrian firm, Plastrans Petrochemicals, mandated the firm to advise it on the debt owed by Gema Plast-KM.

Again the firm represented a foreign firm, this time CD Cargo from the Czech Republic, on its negotiations with transport company Makedonski Zeleznici as a debtor to the Czech company. German company Interboves sought the firm's advice on an unpaid debt owed to by Angela-Alfa Bitola.

But it is not all debt collecting work for Lawyers Antevski. The firm provided Macedonian counsel to Moonlight Capital on the purchase of the Turkish company based in Macedonia called Migros.

Leading lawyers

Zlatko Antevski

Mens Legis Law Firm

Mens Legis Law Firm attracts an enviable list of international clients, with the likes of Siemens, IBM and Fiat all retaining the firm's services. This might be partly due to the firm's international outlook – it has connections with law firms in cities such as London, New York and Moscow.

Clients find the firm's services quite good. "I would probably use them again. Most of the tasks were completed quite well and in some cases exceeded our expectations. On a general scale of one-to-five, I would give them a good four," says one.

Managing partner Ljubica Ruben is well known in the market. But, partner Milcho Kjupev is getting noticed. "I was particularly impressed with Mr Kjupevs," says one client. "Most of the staff is quite young, but he is a little older and more experienced. He was responsive and good."

In May 2009 Mens Legis completed the due diligence of Cosmofon, a subsidiary of OTE MTS Holding, for Telecom Slovenje in a transaction worth €190 million. The firm also advised the Israeli company Gazit-Globe on the acquisition of the site where the old Alumina factory sat in Skopje. Gazit-Globe's Macedonian subsidiary will build a shopping centre on the site.

Slovenian company Zavarovalnica Triglav mandated the firm to advise on its purchase of a majority stake in Macedonian company Vardar Insurance. The acquisition cost around €29 million. Finally, Chrysler hired the firm as counsel on a deal between the American company and Fiat that was before the Commission for Protection of Competition of Macedonia.

Leading lawyers

Ljubica Ruben

Polenak Law Firm

Managing partner of Polenak Law Firm, Kristijan Polenak, is consistently named as a leading lawyer in Macedonia. The firm is a member of the South East Europe Legal Group and also has connections with international firms like Baker & McKenzie, Chadbourne & Parke and Freshfields Bruckhaus Deringer.

Leading lawyers

Kristijan Polenak

Debarliev Dameski & Kelesoska

Debarliev Dameski & Kelesoska is a young law firm that brings a western attitude to its work. The firm has strong connections with the telecoms industry, and counts Makedonski Telekom as a client.

The firm represented Turk Telecom in its attempted purchase of Cosmofon. Work included negotiating the sale purchase agreement and performing due diligence on the company.

The firm is representing the Austrian electricity company Verbund in the concession procedure for the building of hydroelectric plants in Cebren and Galiste. Dameski led a team on the privatisation of airports in Macedonia and the preparation of the due diligence for the long-term concession of the airports in Macedonia.

On the M&A side the firm is representing manufacturer Poli Construzione Materialli Trazione in the takeover of MZT Hepos.

Leading lawyers

Dragan Dameski

Monevski Law Firm

Monevski Law Firm is involved with projects in the energy and telecoms sectors – two of the most prominent sectors to supply decent sized work for law firms in recent years.

In the communications sector the biggest deal was the sale of the mobile operator Cosmofon, which attracted three bids from international firms. Monevski represented Turkcell on its failed bid, performing a due diligence on Cosmofon for the Turkish company.

The electricity producer Gen-I Slovenia has continued to mandate Monevski law firm on the tender procedure for a power facility in Macedonia. In July 2009 the firm also advised German multinational PCC SE and the German development and investment company DEG on the tender procedure and the water concession agreement for some small hydro power plants.

Elsewhere, power company Te-To mandated the firm regarding the grid connection agreement for a power plant.

Leading lawyers

Valerjan Monevski

Law Office Pepeljugoski

Law Office Pepeljugoski is a big name in trademark and intellectual property work, but is also capable in financial and corporate matters, as clients attest to: “They have good expertise, communicated well, they were very open when we discussed issues, they had a good grasp of the legal issues,” says one client. “It was for the financing of the power station. They also did quite good proposals to partners on the regulation of collateral.”

Valentin Pepeljugoski is the firm’s figure-head, and he led a team advising Landesbank Berlin. Pepeljugoski negotiated contracts in connection with securing the payment claims on a loan agreement with Te-To.

The firm is active in M&A, representing Gica-Ohrid on the sale of 38% of the company to the European University Skopje, and the sale of Kronos in May 2009.