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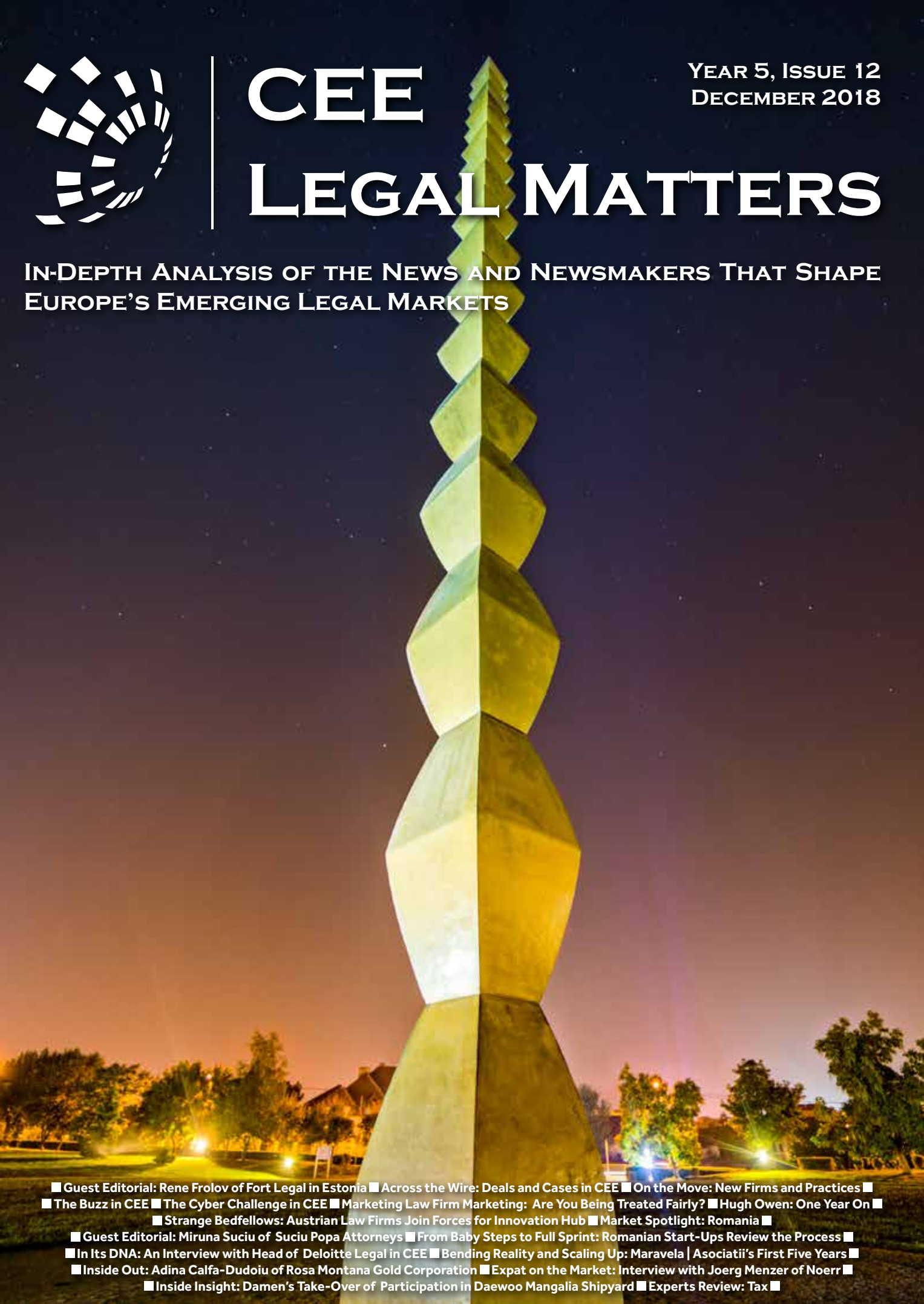
December 2018

CEE Legal Matters

In-Depth Analysis of the News and Newsmakers That Shape Europe's Emerging Legal Markets



■ Guest Editorial: Rene Frolov of Fort Legal in Estonia ■ Across the Wire: Deals and Cases in CEE ■ On the Move: New Firms and Practices ■ The Buzz in CEE ■ The Cyber Challenge in CEE ■ Marketing Law Firm Marketing: Are You Being Treated Fairly? ■ Hugh Owen: One Year On ■ Strange Bedfellows: Austrian Law Firms Join Forces for Innovation Hub ■ Market Spotlight: Romania ■ Guest Editorial: Miruna Suciu of Suciu Popa Attorneys ■ From Baby Steps to Full Sprint: Romanian Start-Ups Review the Process ■ In Its DNA: An Interview with Head of Deloitte Legal in CEE ■ Bending Reality and Scaling Up: Maravela | Asociatii's First Five Years ■ Inside Out: Adina Calfa-Dudoiu of Rosa Montana Gold Corporation ■ Expat on the Market: Interview with Joerg Menzer of Noerr ■ Inside Insight: Damen's Take-Over of Participation in Daewoo Mangalia Shipyard ■ Experts Review: Tax ■

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CEE LEGAL MATTERS

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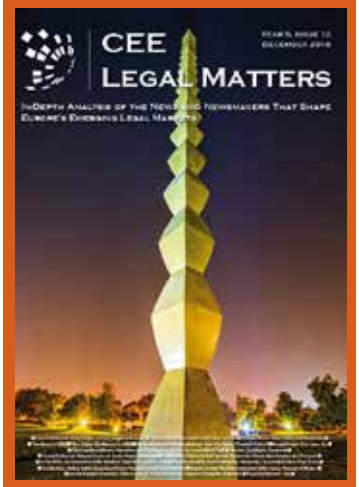

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If you like what you read in these pages (or even if you don't) we really do want to hear from you. Please send any comments, criticisms, questions, or ideas to us at:

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EDITORIAL: TAKING THE LONG VIEW

One of the famous benefits of age is perspective. Thus, at this point in my life, I have the dubious benefit of having experienced – either personally or through close association to friends – a number of unfortunate professional transitions and transactions, from lay-offs to split-offs, from hires to fires, from surprising offers to principled departures, and from proper and friendly changes in direction to abrupt and acrimonious departures. It has, already, in that sense, been a full life.

It is almost a truism that professional changes – even surprising changes, involving the decision by a once-trusted colleague to join or lead the competition – should be accepted gracefully, professionally, with respect and decency.

I say "almost" a truism, because that simple rule becomes, often, incredibly difficult to put into practice when you're the one being left. Just as with the end of romantic relationships, it's easy to suggest to those who are experiencing that particular pain that they respond politely, but much more difficult to withdraw gracefully when you're the one being left. Accusations of betrayal – of flawed character, of moral failing – are all-too-common, and bridges are all-too-frequently burned.

And yet, although I'd suggest restraint is also called for at the end of romantic relationships, it's even *more* important when professional associations fall apart. For while it's possible – perhaps even likely – to go through life without encountering your former paramour, it's much more difficult to proceed in your particular industry or profession without having any dealings with former business partners.

Especially in the small world of CEE's legal markets – particularly at the top level of commercial law firms – where it's almost impossible for any two lawyers to do business without repeatedly encountering each other. This becomes an acute problem in a profession where professional incentives often compete directly with personal commitments, where new and enticing opportunities arise without warning, and thus where moving from one firm to another is common, leaving the industry in an almost-permanent state of flux.

And so, aside from the personal awkwardness of trying to do business with or across the table from those who have, you feel, betrayed or taken advantage of your trust, and broken what you believe were clear promises, you would think lawyers – famous as they are for pursuing profit and considering the bottom line – would be especially willing to let bygones be bygones, and keep the doors of communication open in the hopes that referrals and other business opportunities would soothe the seething resentment boiling inside.

Unfortunately, it appears, you would often be wrong. Indeed, there are several famous animosities among lawyers in CEE based on unexpected splits and departures, that the individuals involved refuse to get past. This acrimony eliminates any chance of direct and formal referrals between the two going forward, and often poisons the air at conferences, professional associations, and other kinds of gatherings and events.

Again, I understand how difficult those transitions can be. Radu and I started CEELM after leaving our previous employer in what turned out to be an emotionally-wrought process. Still, and perhaps not completely coincidentally, we've both made a commitment to each other to support any professional moves that each of us may eventually find necessary, priotirizing our friendship over professional obligations that may, at some point, become unwelcome.

And, in fact, both Radu and I have in fact rejected individual offers and opportunities that have come our way, even during times of financial insecurity, preferring to work together and build something special rather than go our separate ways.

But I'm hardly here to preach. What do I know? The day may come where he or I announces a plan to do something else, and the split could involve taking some of the business with – only then can I truly know how well we'd survive the pressures and stress of that situation.

Still. In this time of (theoretical?) peace, as yet another demanding, stressful, but ultimately – always – rewarding year comes to a close, let me suggest to our readers that, when *they* are put to the test, they take a deep breath, if necessary withdraw to their office and scream, then come out, shake the hands of their departing colleagues, and wish them the absolute best … and here's the hard part: *they should mean it.*

On a professional basis, we each have to do the best for ourselves, for our families, that we can. And sometimes that may mean taking a different path than we expected, even if it means taking some of the business away from our partners. Of course in an ideal world that can be done with significant advance warning, with professionalism and decency. But ultimately, even if it's not – indeed, even if it's done badly, unprofessionally, and with some hostility – I recommend the long view. Keep the contact. You don't have to stay best friends – although you may find, over time, that you wish to – but don't let anger and resentment dominate.

Life's too short. And friendships are too rare. Extend the former, by preserving the latter, even if it hurts. And Merry Christmas, all.

David Stuckey

GUEST EDITORIAL: CEE LEGAL COUNSEL GOING FORWARD - EXPERTS OR ADVISORS?

Upon reflection, 2018 feels like a year of reversal – the long economic expansion, fueled by quantitative easing by central banks, is losing steam, love for FAANGs and Big Tech turned into *techlash*, trade wars emerged and escalated, a negotiated divorce between the UK and the EU is descending into a disorderly no-deal Brexit, and so on. There is much to ponder in the short-term. Long-term challenges for the legal profession, however, lie elsewhere.

Many would agree that 2018 saw Legal Tech and AI move from the fringes of the CEE legal scene to the center of operations in the regions' law firms – the process of employing technology to reduce costs which kicked-off amid the global financial crisis has shifted into a higher gear with ever more resources employed to test applications in legal due diligence, contract drafting, review or automation, legal research and analytics, *etc.*

And rightly so, as the disruption of legal markets – in CEE as everywhere else – by increasingly sophisticated technology is inevitable. The reasons are well-documented and there to see for all willing to pay attention.

However, our response to this challenge looks lop-sided: the majority of our attention and effort is aimed at addressing structural weaknesses and keeping-up in areas being commoditized. Increased use and nurturing of core strengths are not widely seen as part of the solution, even though skills such as creative problem solving, critical and instinctive thinking, negotiation, and conflict resolution abilities are key qualities during the transformational change brought by the emergence of artificial intelligence.

This is not to say that CEE law firms should cut back investments into cost-reducing or efficiency-boosting technologies. But a more diversified and sophisticated strategy is needed.

Considering the nature of the intelligent technology challenge and its effects on the delivery of legal services (*i.e.*, automating tasks within the legal process), the long-term strategy of our profession, in CEE and elsewhere, should be centered around a move away from being (or being seen as) merely experts – *i.e.*, as tools or resources – to being advisers: critical, creative and resilient *users* of available tools (including, of course, Legal Tech) to solve problems.

Is that easier said than done? Yes. Is it doable? Absolutely. In fact, there are many ways to be an adviser, not merely an expert – every person and firm can adopt one, or more. Some "ways" are obvious, some less so. I'll outline two examples to get the discussion going.

First, a world of human-displacing machines and massive job losses is neither imminent nor inevitable: something that leaders will need to get better at explaining to the anxious public. But it is also true that the use of artificial intelligence, blockchain, and so on, is spreading and becoming more sophisticated, and, crucially, looks irreversible. Thus, for AI to flourish and fulfil its promise as an "enabler" rather than a "destroyer," new rules need to be introduced or, preferably, existing ones adapted. Active participation in this process represents an opportunity not only to remain relevant, but to attract and on-board Generation Z (members of which are seeking more purpose in their work).

Second, 2019 will see the introduction of the EU framework for screening – by Member States and the European Commission – of incoming foreign direct investment by state-owned or -controlled entities into critical infrastructure, technology, or inputs in Europe and, potentially, prohibiting foreign FDIs on security or public order grounds.

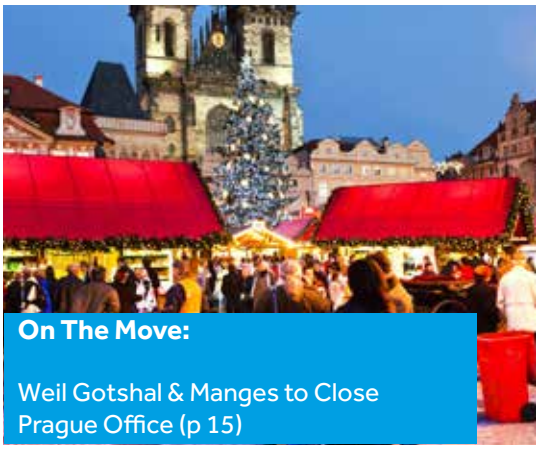
Such *de jure* or *de facto* pre-closing consent regimes, which evaluate deals for security or public order concerns, have been popping up across Europe for some time – in CEE, Austria, Poland, and Lithuania have introduced one. While these regimes differ in terms of targeted sectors, level of control, origin of investment, and type of investors, they all expose transactions to increased costs, delays, and uncertainty. Worse, as we experienced in Latvia, a government can assume such vetting powers "mid-flight", *i.e.* after a deal has been signed, but before it has closed.

The EU framework will not ask Member States to create national FDI screening mechanisms, but history and logic suggests that proliferation of such national regimes will follow regardless. Consequently, we – M&A advisers in CEE – can't afford to be spectators. Instead, we should actively engage with governments to make sure that local FDI screening regimes (if any) are well-targeted, non-discriminatory, and transparent, and that they avoid unintended overreach or deliberate abuse (*e.g.*, to protect national champions). We must share experiences to anticipate regulatory issues, speak out on bottlenecks to alert authorities to scale-up on resources, and so on.

Doing so will prevent clogging the CEE deal pipeline with unintended hurdles and enhance our ability to anticipate and overcome, in a timely and efficient manner, the ones that remain.

Importantly, it will increase our relevance as agile and valuable advisers in the engine rooms of Europe; not merely substitutable tools in a wider and polarizing market for legal services.

Rene Frolov, Partner,
Fort Legal Estonia



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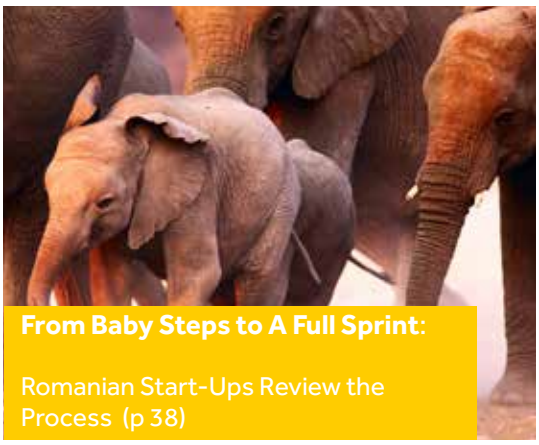
Weil Gotshal & Manges to Close Prague Office (p 15)

Strange Bedfellows:

Austrian Law Firms Join Forces for Innovation Hub (p 28)



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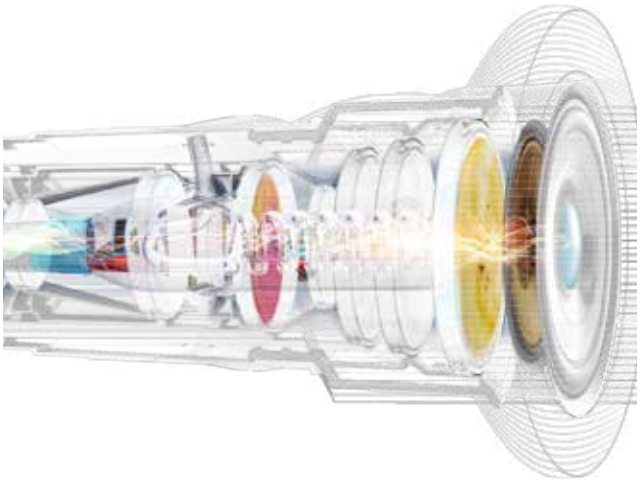
ACROSS THE WIRE: FEATURED DEALS

Maravela | Asociatii Advises on Precision for Medicine's Acquisition of Argint International



Maravela | Asociatii has assisted Precision for Medicine in connection with Romanian law aspects of its multi-jurisdictional acquisition of contract research organization Argint International.

Precision for Medicine, which is part of the Precision Medicine Group, supports life sciences companies in the use of biomarkers essential to targeting patients more precisely and effectively. With more than 1,450 employees in 25 locations in the US, Canada, and Europe, Precision Medicine Group is active in fields from advanced lab sciences to translational informatics and clinical trial delivery. The company's European footprint now includes offices in Edinburgh, Paris, Berlin, Geneva, Budapest, Bucharest, Bratislava, and Belgrade.

Argint International is based in Budapest. It currently managing studies across 25 countries and more than 600 investigational sites, including several large phase III programs, each involving between 50 and 130 sites. The company has a strong presence in Hungary, Poland, Romania, Slovakia, and Serbia.

"With another high-valued complex cross border transaction completed, we are glad to further consolidate our niche healthcare M&A position on the market. We are proud to have been selected by Bird & Bird as Romanian counsels and happy to have been part of this significant acquisition."

– Dana Radulescu, Partner, Maravela & Asociatii

Maravela | Asociatii Partner Dana Radulescu, who coordinated the firm's team on the matter, was assisted by Senior Associate Daniel Alexie, Senior Associate Irina Radu, and Associate Magda Grigore. Employment aspects were coordinated by Partner Alexandra Rimbu.

Bird & Bird was lead counsel to Precision for Medicine on the deal, and Karanovic & Partners served as Serbian counsel. Kinstellar advised the sellers on Romanian, Czech, and Hungarian aspects of the deal, working with lead counsel Osborne Clarke.

MARAVELA | ASOCIAȚII

PNSA Advises Voestalpine on Acquisition of Majority Stake in Travertec Buzau

Popovici Nitu Stoica & Asociatii has assisted Voestalpine AG on the acquisition of a 60% stake in Travertec Buzau from PCM RAIL.ONE AG.

Voestalpine is an international steel company located in Linz, Austria. The company produces steel, automobiles, railway systems, equipment, and tool steels.

Travertec Buzau was a 100% subsidiary of RAIL.ONE, Germany. The company provides innovative track systems for railways and urban transit, as well as concrete sleepers for all applications involving railway infrastructure.

Tuca Zbarcea Asociatii advised RAIL.ONE on the sale.

Avellum Advises EBRD on First Financing of Academic Institution in Ukraine

Avellum acted as Ukrainian legal counsel to the EBRD in connection with a senior secured loan of up to EUR 1.3 million to the Kyiv Medical University.

The loan will be used by KMU to expand its dentistry and pharmacy education programs through the acquisition of a new campus building, which will accommodate additional 1,000 students per year. The loan is the first from the EBRD to an academic institution in Ukraine.

"Ukraine is becoming a more popular destination for medical education among international students and we are delighted to support our long-standing client, EBRD, on its first financing of a Ukrainian academic institution, bringing the positive impact, and facilitating the growth of the private educational sector."

– Glib Bondar, Senior Partner, Avellum

KMU is one of the largest Ukrainian private universities and the only private medical university of such a large scale (approximately 2,700 students, with 30% being foreign, from 56 countries). The primary fields of specialization for KMU are dentistry and pharmacy, taught in Ukrainian, Russian, and English.

Since the start of the EBRD's operations in Ukraine in 1993, it has made a cumulative commitment of almost EUR 12.1 billion across some 400 projects in the country.

The Avellum team was led by Senior Partner Glib Bondar, with support from Counsel Maria Tsabal and Junior Attorney Anna Kalabska.

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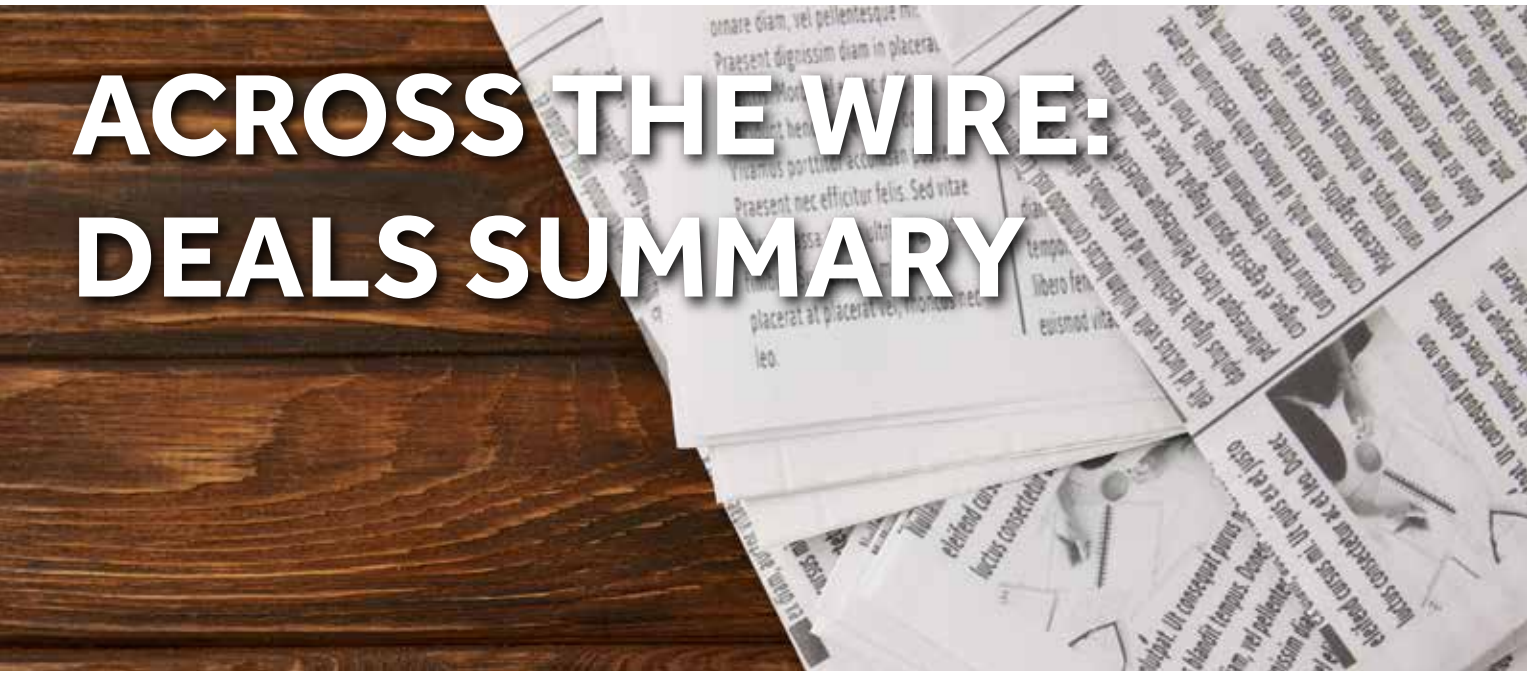

ACROSS THE WIRE: DEALS SUMMARY

Date covered	Firms Involved	Deal/Litigation	Value	Country
14-Dec	Arcliffe; ODI Law	Arcliffe assisted Yazaki on corporate and labor-related matters related to the company's activity in Czech Republic, Slovakia, Serbia, Romania, Bulgaria, Slovenia, and Croatia. ODI Law supported Arcliffe in the Adria region countries.	N/A	Albania; Bosnia and Herzegovina; Croatia; Czech Republic; Montenegro; Romania; Serbia; Slovakia; Slovenia
20-Nov	Wolf Theiss	Wolf Thiess Vienna advised Panoro Energy ASA on its acquisition of OMV's wholly-owned subsidiary, Tunisia Upstream GmbH.	USD 65 million	Austria
20-Nov	Fellner Wratzfeld & Partner	Fellner Wratzfeld & Partner advised the banks of the Waagner-Biro group on the company's restructuring and sale to Grosso Holding.	N/A	Austria
22-Nov	DLA Piper; Wolf Theiss	Wolf Theiss advised RBI and Erste Bank as joint lead managers and bookrunners on UBM Development AG's EUR 75 million corporate bond and as dealer managers of an exchange offer. DLA Piper advised UBM Development.	EUR 75 million	Austria
23-Nov	PKHV; Wolf Theiss	Wolf Theiss advised real estate investor and manager Westcore Europe on its acquisition of the U6 Center office and warehouse property in Vienna from Hanseatische Immobilienfonds Oesterreich IV and Germany's HCI Treuhand Geschlossener real estate fund. The sellers were advised by PKHV Rechtsanwalte.	N/A	Austria
30-Nov	Binder Groesswang; Freshfields; Gomez-Acebo & Pombo; Noerr	Binder Groesswang, Noerr, and Spain's Gomez-Acebo & Pombo advised Japan's Daikin Group on the EUR 881 million acquisition of AHT Group from the Bridgepoint private equity group. The Frankfurt office of Freshfields Bruckhaus Deringer advised the sellers on the deal.	EUR 881 million	Austria
4-Dec	Delphi; PHH Attorneys at Law; Schoenherr; Torngren Magnell	Schoenherr Vienna and Sweden's Delphi law firm advised AddLife AB on the acquisition of Austrian life sciences company Biomedica Medizinprodukte GmbH. The sellers of Biomedica were advised by PHH Attorneys at Law and Sweden'ss Torngren Magnell law firm.	N/A	Austria
7-Dec	Weber & Co.; White & Case	Weber & Co. advised OMV Aktiengesellschaft in connection with the issue of a corporate bond in an aggregate volume of EUR 1 billion. White & Case advised the Joint Lead Managers on the bond issue.	EUR 1 billion	Austria
10-Dec	Brandl & Talos	Brandl & Talos advised aws Grunderfonds on its investment into Viennese start-up ToolSense GmbH.	N/A	Austria

Date covered	Firms Involved	Deal/Litigation	Value	Country
13-Dec	Cerha Hempel Spiegelfeld Hlawati	Austria's Central Public Prosecutor's Office for White-Collar Crime and Corruption dropped charges against Matthias Hartmann, the former Director of Austria's Burgtheater, who was represented by Cerha Hempel Spiegelfeld Hlawati.	N/A	Austria
14-Dec	Doralt Seist Csoklich; Wolf Theiss	Wolf Theiss advised Soravia on the sale of its "The Brick" building complex to Wiener Stadtische Versicherung. Doralt Seist Csoklich advised the buyers on the deal.	N/A	Austria
19-Nov	CMS; White & Case	CMS advised Deka Immobilien GmbH on its acquisition of a Czech logistics portfolio from the CTP Group.	EUR 460 million	Czech Republic
4-Dec	Novalia	Novalia advised tech start-up Sapho on its sale to Citrix.	USD 200 million	Czech Republic
5-Dec	PRK Partners	PRK Partners advised UDI CEE a.s. in the process of listing of its shares on the non-regulated Start market organized by the Prague Stock Exchange.	N/A	Czech Republic
5-Dec	PRK Partners	PRK Partners advised EuroManganese Inc. in connection with the initial public offering and listing of its shares in Canada and Australia.	N/A	Czech Republic
13-Dec	Havel & Partners; PRK Partners	PRK Partners assisted Publicis Groupe with its acquisition of Kindred Group, the largest independent digital communications group in the Czech Republic from CEO and founder Michal Nydrle and other investors. Havel & Partners advised the sellers on the deal.	N/A	Czech Republic
16-Nov	Nove	Nove successfully represented Nasdaq Tallinn AS in a Tallinn Stock Exchange Arbitration against Olympic Entertainment Group AS involving a decision of Nasdaq Tallinn's Listing and the Surveillance Committee.	N/A	Estonia
20-Nov	Cobalt	Cobalt Estonia advised real estate management company Pirita Tee Development OU on the sale of Kadrioru Arikeskus, Kadriorg's business center in Tallinn, to EfTEN Real Estate Fund 4.	N/A	Estonia
20-Nov	Ellex (Raidla)	Ellex Raidla assisted Luminor with the establishment of a European Medium Term Note program in the amount of EUR 3 billion.	EUR 3 billion	Estonia
20-Nov	Cobalt	Cobalt successfully represented AS Poohtech and Activity OU in litigation before the Supreme Court.	N/A	Estonia
20-Nov	Cobalt	Cobalt successfully represented the European Commission in a dispute with the Republic of Estonia in the Court of Justice of the European Union regarding the amount to be charged for surplus sugar stocks.	N/A	Estonia
22-Nov	Cobalt	Cobalt successfully represented AS Ragn-Sells in a dispute with the City of Tallinn regarding waste transport in the city's Nomme and Lasnamae neighborhoods.	N/A	Estonia
28-Nov	Sorainen	Sorainen advised A-Ulevaatus on its acquisition of Rael's inspection stations.	N/A	Estonia
28-Nov	Eversheds Sutherland	Eversheds Sutherland's teams in Estonia and the US advised Click & Grow, the producer of smart indoor gardens, in the closing of a financing round through which the company raised over USD 11 million.	USD 11 million	Estonia
4-Dec	Cobalt; Triniti	Cobalt Estonia advised European Diversified Infrastructure Fund II SPSC, a long-term infrastructure fund managed by First State Investments, on its acquisition of 85% of shares in Utilitas. Triniti advised the sellers.	N/A	Estonia
11-Dec	Ellex (Raidla)	Ellex Raidla advised Tallink on its public offering on Nasdaq Helsinki.	N/A	Estonia
12-Dec	Sorainen	Sorainen was appointed as legal advisor to the FinEst Bay Area Development tunnel project, designed to enable a safe, high-speed connection between Helsinki Vantaa Airport and Tallinn Airport.	N/A	Estonia
12-Dec	Sorainen	Sorainen Estonia acted as Estonian adviser to a syndicate of banks consisting of Skandinaviska Enskilda Banken, Credit Agricole Corporate and Investment Bank, and HSH Nordbank in financing the investment of European Diversified Infrastructure Fund II SPSc in Utilitas.	N/A	Estonia
14-Dec	Cobalt	Cobalt advised MCF Group Estonia on the development of a data center to be built in the Estonian city of Saue in 2019.	EUR 100 million	Estonia
28-Nov	KG Law	KG Law advised EDPR S.U.L. in the first call for RES Tenders.	N/A	Greece
6-Dec	CMS; DLA Piper	CMS Budapest advised the Futureal Group on the sale of its six existing office buildings and two office buildings currently under construction in Budapest, together referred to as the Corvin Office Portfolio, to OTP Real Estate Investment Fund Management. DLA Piper represented the OTP Group on the acquisition.	N/A	Hungary
4-Dec	Dentons	Dentons advised Enlight Renewable Energy on contract negotiations for the construction of three solar power plants in Hungary, with an aggregate capacity of approximately 57 MW. The firm also assisted Enlight in obtaining HUF 15 billion (around EUR 45 million) in financing for the project.	EUR 45 million	Hungary; Poland
22-Nov	Sorainen	Sorainen represented Swedish company Bergvik Skog in the EUR 324 million sale of its forest properties in Latvia to another Swedish company, Sodra. The sale was carried out by divesting Bergvik Skog of its subsidiaries in Latvia, which own 111,100 hectares of land, of which 80,300 are covered by productive forest.	EUR 324 million	Latvia

Date covered	Firms Involved	Deal/Litigation	Value	Country
5-Dec	Skrastins & Dzenis	Skrastins & Dzenis successfully represented the interests of LLC Mile Auto – Citroen's official dealer in Latvia – in a challenge to an open tender for purchase of vehicles worth in excess of EUR 300,000.	EUR 300,000	Latvia
5-Dec	Skrastins & Dzenis	Skrastins & Dzenis successfully represented the interests of DLV and provided legal assistance in a dispute between shareholders of the company, helping the founders regain full control.	N/A	Latvia
11-Dec	Vilgerts	Vilgerts successfully represented the Moller group companies in Latvia's Administrative Regional Court in a challenge to a EUR 7.4 million fine levied on the company by Latvia's Competition Council.	EUR 7.4 million	Latvia
27-Nov	Cobalt	Cobalt successfully represented Luxembourg-based East West Bank S.A. in a civil case against AB Bank SNORAS for termination of contracts, refund, and damages.	N/A	Lithuania
6-Dec	Ellex (Valiunas); Sorainen	Sorainen advised Inchcape International Holdings Limited, a wholly owned subsidiary of Inchcape plc, on the acquisition of BMW's distribution business in Lithuania from UAB Modus Group, which was advised by Ellex Valiunas.	N/A	Lithuania
5-Dec	Ellex (valiunas); Sorainen	Ellex Valiunas mediated a transaction between SEB and UAB Technopolis concerning leased space in the new Nova office building in Vilnius.	N/A	Lithuania
11-Dec	TGS Baltic	TGS Baltic advised AB Siauliu Bankas on its admission of a EUR 20 million bond issue to trading on AB Nasdaq Vilnius.	EUR 20 million	Lithuania
12-Dec	Fort Legal; Sorainen	Sorainen Lithuania assisted Pontos Group and its Estonian subsidiary, Pontos Baltic, on the EUR 47 million sale of the RYO shopping center in the city of Panevezys, in northern Lithuania, to EfTEN Real Estate Fund 4, managed by EfTEN Capital. Fort Legal advised the buyers on the deal.	EUR 47 million	Lithuania
14-Dec	Primus Derling	Primus Derling advised the Tipro Group, which owns more than 40 online portals in Lithuania, on the sale of the All Media Digital Company to All Media Lithuania, which is the owner of Lithuania's TV channel TV3.	N/A	Lithuania
11-Dec	Norton Rose Fulbright; Sorainen	Sorainen advised Pigu.lt and its shareholders on its merger with Morele.net. Polish private equity group MCI, an investor in both Pigu.lt and Morele.net., was advised by Norton Rose Fulbright on the deal.	N/A	Lithuania; Poland
19-Nov	Crido Legal; Gessel; Noerr	Noerr advised Work Service S.A. on the PLN 155.3 million sale of all its shares in Exact Systems' companies in a management buy-out by Pawel Gos and Leslaw Walaszczyk, founders and managers of Exact Systems, supported by funds managed by CVI Dom Maklerski through Remango Investments. Crido Legal advised the managers and Gessel advised CVI Dom Maklerski.	N/A	Poland
20-Nov	Kwasnicki, Wrobel & Partners	Kwasnicki, Wrobel & Partners advised Artifex Mundi S.A. on the preparation and implementation of a private stock offering.	PLN 10.5 million	Poland
20-Nov	Studnicki, Pleszka, Cwiakalski, Gorski	SPCG Law Firm successfully represented Miejskie Przedsiebiorstwo Komunikacyjne S.A. before the Court of Appeal in Krakow in a dispute with the manufacturer of Krakowiak trams concerning the payment of a contractual PLN 15 million penalty due to a delay in vehicle delivery.	PLN 15 million	Poland
20-Nov	Mrowiec Fialek & Partners; Stemplewski Szczudlo & Partners	Mrowiec Fialek & Partners advised the private equity fund Innova Capital on the acquisition by portfolio company OCRK Sp. z o.o. of Nuss Sp. z o.o. Stemplewski Szczudlo & Partners advised the seller on the deal.	N/A	Poland
20-Nov	CDZ Legal; CMS	CDZ Legal Advisors advised e-commerce company SaveCart on the sale of a minority stake in the company to mBank S.A. subsidiary Future Tech FIZ, a closed-end investment fund. CMS advised Future Tech FIZ.	N/A	Poland
21-Nov	Linklaters	Linklaters advised Globalworth on a preliminary purchase agreement with Unibail-Rodamco-Westfield for the Skylight and Lumen office buildings in Warsaw, part of the multi-functional Zlote Tarasy complex.	EUR 190 million	Poland
21-Nov	Baker Tilly Woroszylska Legal; Greenberg Traurig	Greenberg Traurig's Warsaw office advised Generali Real Estate on the acquisition of an office building in Warsaw from S+B Gruppe. Baker Tilly Woroszylska Legal assisted S+B Gruppe on the sale.	N/A	Poland
22-Nov	Dentons	Dentons Warsaw advised BGZ BNP Paribas on a EUR four million financing granted to Europejskie Centrum Inwestycyjne ECI S.A., a member of the ECI Group.	EUR 4 million	Poland
22-Nov	Studnicki, Pleszka, Cwiakalski, Gorski	Studnicki Pleszka Cwiakalski Gorski successfully represented Krakow City Park Sp. z o.o. in a dispute with Polish tax authorities regarding the interpretation of VAT exemption regulations.	N/A	Poland
22-Nov	Greenberg Traurig	Greenberg Traurig's Warsaw office successfully represented Smithfield Foods in antitrust proceedings before the European Commission and Poland's Office of Competition and Consumer Protection.	N/A	Poland
28-Nov	Cienkowski & Partners; Compliance Partners	Cienkowski & Partners advised United Beverages S.A. on its acquisition of 100% shares in System sp. z o.o. from Agnieszka Skowronska and Tomasz Skowronski. Compliance Partners advised the sellers.	N/A	Poland
29-Nov	Allen & Overy; Greenberg Traurig	Greenberg Traurig's Warsaw and Berlin Offices represented CCC S.A. in the sale of its German operations to German footwear retailer HR Group S.a. r.l., and its acquisition of 30.5% shares of the HR Group. Allen & Overy advised the HR Group on the deal.	N/A	Poland

Date covered	Firms Involved	Deal/Litigation	Value	Country
29-Nov	Allen & Overy; CMS	CMS advised private equity fund Value4Capital on the acquisition by its V4C Poland Plus Fund of waste management firm Kom-Eko S.A. from Royalton Partners. Allen & Overy advised the sellers.	N/A	Poland
30-Nov	Act BSWW Legal	Act BSWW advised ECC Real Estate on an unspecified project related to the newly-developed Nowa Stacja mall in Pruszkow, Poland.	N/A	Poland
3-Dec	Gide Loyrette Nouel	Gide Loyrette Nouel advised Mindspace on its development in the Polish market.	N/A	Poland
3-Dec	Chajec, Don-Siemion Zyto	Chajec, Don-Siemion Zyto advised Capital Partners S.A., the majority shareholder of Gekoplast S.A, in connection with its acquisition by Karton S.p.A.	N/A	Poland
5-Dec	Bird & Bird	Bird & Bird helped PKN Orlen negotiate a sponsorship agreement with the Williams Formula 1 team.	N/A	Poland
5-Dec	SSW Pragmatic Solutions	SSW Pragmatic Solutions advised BoomBit S.A. on a transaction which included the indirect acquisition of shares in Cellense s.r.o.	N/A	Poland
6-Dec	Gessel	Gessel advised the Polish Enterprise Fund VIII, a private equity fund managed by Enterprise Investors, on the acquisition of a minority stake in Anwim SA, an independent operator of fuel stations in Poland.	PLN 100 million	Poland
10-Dec	Czabanski & Galuszynski	Czabanski & Galuszynski advised Yawal S.A. and Final S.A. on a syndicated loan of over PLN 90 million by Santander Bank Polska S.A. and mBank S.A.	PLN 90 million	Poland
11-Dec	Czabanski & Galuszynski	Czabanski & Galuszynski advised Bank Handlowy w Warszawie S.A. on the sale of an NPL portfolio to two investment funds, acting through securitization funds.	N/A	Poland
12-Dec	Dentons; Ozog Tomczykowski	Dentons advised Jones Lang LaSalle on its acquisition of REAS. The Ozog Tomczykowski law firm advised REAS.	N/A	Poland
13-Dec	Dentons; Greenberg Traurig	Dentons Warsaw advised GLL Real Estate Partners on the acquisition of the Cedet building in Warsaw from Immobel Poland. Greenberg Traurig advised Immobel Poland on the sale.	EUR 129.5 million	Poland
13-Dec	Greenberg Traurig	Greenberg Traurig is representing CCC S.A. in the announced tender offer for 100% of Gino Rossi S.A.	N/A	Poland
13-Dec	Clifford Chance	Clifford Chance Warsaw advised Work Service S.A. on its successful debt restructuring.	N/A	Poland
14-Dec	Czabanski & Galuszynski	Czabanski & Galuszynski advised Wielton SA on adapting its operation to the requirements of the GDPR.	N/A	Poland
14-Dec	Allen & Overy; Noerr	Noerr advised Landesbank Hessen-Thuringen Girozentrale on the refinancing of Atrium European Real Estate's acquisition of the Wars Sawa & Junior shopping center in Warsaw. Allen & Overy advised AERE.	N/A	Poland
20-Nov	Popovici Nitu Stoica & Asociatii; Tuca Zbarcea & Qsociatii	Popovici Nitu Stoica & Asociatii assisted Voestalpine AG on the acquisition of a 60% stake in Travertec Buzau from PCM RAIL.ONE AG. Tuca Zbarcea Asociatii advised RAIL.ONE on the sale.	N/A	Romania
20-Nov	Popovici Nitu Stoica & Asociatii	PNSA assisted RTC Proffice Experience, a subsidiary of Sweden's Oresa Ventures investment fund, with its acquisition of the cleaning and hygiene products distribution business of Paper Plus SRL.	N/A	Romania
22-Nov	Allen & Overy; Noerr; RTPR Allen & Overy	RTPR Allen & Overy advised Ruukki Romania, a member of the Swedish group SSAB, in relation to the sale of its factory in Bolintin-Deal, Romania, to Finland's Peikko Group Corporation. Noerr advised the buyers.	N/A	Romania
27-Nov	Wolf Theiss	Wolf Theiss Bucharest assisted Search Corporation and two minority shareholders in the sale of their participation in Plaza Development SRL, which owns Bucharest's Crystal Tower office building, to Czech investment company PPF Real Estate.	N/A	Romania
23-Nov	Suciu Popa & Associates	Suciu Popa & Associates advised Black Sea Oil & Gas S.R.L. and its co-venture partners Petro Ventures Resources S.R.L and Gas Plus International B.V. on signing a Gas Sales Agreement with ENGIE subsidiary Engie Energy Management Romania S.R.L. for natural gas supply from the Midia Gas Development Project.	N/A	Romania
27-Nov	Maravela & Asociatii	Maravela|Asociatii assisted CEE chemicals producer Chimcomplex in the Romanian Competition Council's merger review procedure related to the company's takeover of Oltchim's assets.	N/A	Romania
27-Nov	DLA Piper; Stratulat Albulescu	Stratulat Albulescu advised GapMinder on its EUR 600,000 investment in FintechOS. DLA Piper advised Fintech on the deal.	EUR 600,000	Romania
27-Nov	Ijdelea Mihailescu	Ijdelea Mihailescu provided legal assistance to Black Sea Oil & Gas in relation to the Engineering, Procurement, Construction, Installation & Commissioning Contract for all offshore and onshore facilities and Development Drilling Contract with GSP Offshore for the Midia Gas Development Project, offshore Romania.	N/A	Romania
27-Nov	Jinga & Asociatii	Jinga & Asociatii advised Romania's Ecofarmacia Network on the structuring, implementation, and operation of the online Pilulka.ro pharmacy platform.	N/A	Romania
6-Dec	Dentons	Dentons advised a syndicate of Bank Pekao S.A., Ceska Sporitelna, a.s., PKO BP, and ING Bank Slaski on the financing of AmRest Group.	EUR 190 million	Romania

Date covered	Firms Involved	Deal/Litigation	Value	Country
14-Dec	Bondoc Si Asociatii; Dentons; Reff & Associates; Stratulat Albulescu; White & Case	Dentons advised Credit Suisse AG and Stratulat Albulescu and White & Case advised VTB Bank Europe SE on financing for Chimcomplex SA Borzesti's acquisition of several asset bundles from Oltchim SA. Bondoc & Asociatii advised Oltchim on the sale and Reff & Associates, a member of Deloitte Legal, developed the due dilligence report based on which Chimcomplex secured its financing.	EUR 40 million	Romania
28-Nov	KIAP	KIAP's IP team, working pro bono, has helped the SUNFLOWER charity register its logo as a trademark in Russia's Rospatent office, giving the foundation exclusive ownership of the trademark under Russian law.	N/A	Russia
20-Nov	BGP Litigation	BGP Litigation advised PIK Group on the acquisition of an unfinished shopping center covering 73,000 square meters on a square near the Paveletsky Railway in Moscow from BTA Bank.	N/A	Russia
22-Nov	Cooley; DLA Piper	DLA Piper advised RealtimeBoard on its USD 25 million series A financing round led by venture capital firm Accel. Cooley advised Accel on the deal.	USD 25 million	Russia
3-Dec	CMS	CMS Russia advised S8 Capital on the acquisition of a 100% shares in Price.ru, an on-line shopping service, from Rambler Group, a Russian media holding company.	N/A	Russia
4-Dec	Bryan Cave Leighton Paisner	Bryan Cave Leighton Paisner advised the Globus chain of hypermarkets on the acquisition of property and real estate assets of Logorprom Medvedkovo in the north-east part of Moscow to build a new hypermarket.	RUB 2 billion	Russia
5-Dec	Norton Rose Fulbright; Orrick, Herrington & Sutcliffe	Orrick advised the Russian Copper Company on its USD 200 million acquisition of the Malmyzh copper-gold porphyry field in the Russian Far East, which is designated as of "federal importance," from Khabarovsk Minerals LLC. Norton Rose Fulbright advised the sellers on the deal.	USD 200 million	Russia
5-Dec	Bryan Cave Leighton Paisner	Bryan Cave Leighton Paisner (Russia) is representing Russian hydroelectricity company RusHydro in an international arbitration against the Kyrgyz Republic over the termination of the intergovernmental agreement dated September 20, 2012 for construction and operation of the Upper-Naryn hydroelectric power plants.	N/A	Russia
5-Dec	Danilov & Partners	Danilov & Partners advised Qurrex on a token sale.	N/A	Russia
5-Dec	DLA Piper	DLA Piper advised TMH Africa on the acquisition of a 45,000 square meter DCD Rolling Stock manufacturing facility in Boksburg, South Africa, from the DCD Group.	N/A	Russia
14-Dec	Egorov Puginsky Afanasiev & Partners; Tilling Peters	Egorov Puginsky Afanasiev & Partners, working with Tilling Peters, successfully represented the interests of German multinational Bayer in a patent dispute before Russia's Intellectual Property Court, which overturned previous court rulings in the case.	N/A	Russia
14-Dec	Egorov Puginsky Afanasiev & Partners	Egorov, Puginsky, Afanasyev and Partners persuaded Russia's Bureau in the Chamber for Patent Disputes to overrule the decision of Rospatent and register a new trademark in the name of "Abrau-Durso."	N/A	Russia
30-Nov	Baker McKenzie	Baker McKenzie advised Invitro on the sale of its Ukrainian laboratory operations to Medicover.	N/A	Russia; Ukraine
13-Dec	Zivkovic Samardzic	Zivkovic Samardzic advised Livnica a.d. Kikinda, the Serbian subsidiary of Cimos and a member of the TCH Group, on its delisting from the Belgrade Stock Exchange.	N/A	Serbia
21-Nov	CMS; MCL Law Firm	MCL Law Firm advised MiddleCap Real Estate Ltd. on the development and sale of Bratislava's Stein Administrative Building to IAD, the manager of the oldest Slovak real estate fund. CMS advised the buyers.	N/A	Slovakia
22-Nov	MCL Law Firm; Relevans	MCL advised the Euromax Group on the sale of the City Arena Shopping Mall in Trnava, Slovakia, to Trenesma, controlled by sole shareholder Peter Korbacka. The Relevans law firm advised the buyers on the deal.	N/A	Slovakia
6-Dec	Maple & Fish	Maple & Fish successfully represented the Slovak Republic in a state aid case involving its provision of EUR 125 million in investment aid to Jaguar Land Rover before the European Commission.	EUR 125 million	Slovakia
26-Nov	Clifford Chance; Dentons; Shearman & Sterling; Ulcar & Partnerji	Clifford Chance advised Nova Ljubljanska Banka d.d., Ljubljana on its public offering and listing on the London and Ljubljana Stock Exchanges. Dentons advised Slovenski Drzavni Holding d.d., wholly-owned by the government of the Republic of Slovenia, on the share sale and public offer. Ulcar & Partnerij advised the Slovenian Sovereign Holding on issues related to corporate governance and Slovenian banking regulations. Shearman & Sterling advised Joint Global Coordinators Deutsche Bank and J.P. Morgan, Joint Bookrunner Citigroup, and Co-Lead Manager Wood & Company.	EUR 608.6 million	Slovenia
28-Nov	DLA Piper; Paksoy	Paksoy and DLA Piper advised Gurit, a company listed on the Swiss Exchange, on its agreement to acquire all shares in the JSB Group.	N/A	Turkey
19-Nov	Avellum; Sayenko Kharenko	Sayenko Kharenko acted as Ukrainian legal counsel to BNP Paribas, Goldman Sachs, Citigroup, and J.P. Morgan Securities on Ukraine's USD 2 billion Eurobond issue. Avellum advised the Ministry of Finance of Ukraine on the issue.	USD 2 billion	Ukraine
21-Nov	Latham & Watkins; Linklaters; PwC Legal; Redcliffe Partners	"PwC Legal Ukraine and Linklaters advised Guala Closures S.p.A. on the issue of bonds for EUR 455 million, maturing in 2024 and listed on the Luxembourg Stock Exchange. Redcliffe Partners and Latham & Watkins assisted Credit Suisse, Banca IMI, Barclays, UniCredit, Banca Akros, and KKR Capital Markets on the deal.	EUR 455 million	Ukraine

Date covered	Firms Involved	Deal/Litigation	Value	Country
27-Nov	Sayenko Kharenko	Sayenko Kharenko advised Industria Veneta Lavorazione Elettrodomestici S.p.A. on the application of agency agreements in Ukraine.	N/A	Ukraine
28-Nov	Dentons	Dentons advised DTEK Renewables B.V. on the signing of a contract with General Electric regarding the supply of 26 modern wind turbines for the second phase of the Prymorska wind farm in Ukraine.	EUR 150 million	Ukraine
3-Dec	Asters; Quinn Emanuel Urquhart & Sullivan	Asters acted as local Ukrainian counsel and Quinn Emanuel Urquhart & Sullivan acted as lead counsel to JSC Oschadbank in connection with its successful claim against the Russian Federation for recovery of compensation as a result of the total loss of its investments in Crimea.	USD 1.3 billion	Ukraine
3-Dec	Avellum	Avellum acted as Ukrainian legal counsel to the EBRD in connection with a senior secured loan of up to EUR 1.3 million it provided to the Kyiv Medical University.	EUR 1.3 million	Ukraine
5-Dec	Integrites	Integrites successfully defended the interests of PJSC Farmak in a case involving LLC Pharmhim's partial refusal to supply Mebhydrolin, a medical substance that was actively used by PJSC Farmak to produce the pharmaceutical product Diazolin.	N/A	Ukraine
5-Dec	KPD Consulting	KPD Consulting Law Firm advised the Yuzhnoye State Design Office on a project to extend its facilities.	N/A	Ukraine
5-Dec	KPD Consulting	KPD Consulting successfully represented UA-Budservis LLC in a case involving the recovery of paid funds and losses incurred in connection with the delivery of equipment.	N/A	Ukraine
5-Dec	Borovyk & Partners	Borovyk & Partners represented Switzerland's Geberit group of companies on a squeeze-out of the minority shareholders of PJSC Slavuta Plant "Budfarfor."	N/A	Ukraine
6-Dec	Avellum; Wolf Theiss	Avellum acted as Ukrainian legal counsel to Slobozhanska Budivelna Keramika in connection with the restructuring and refinancing of SBK's debt, valued at approximately EUR 20 million. Wolf Theiss advised the EBRD, one of the lenders.	EUR 20 million	Ukraine
11-Dec	Integrites	Integrites advised Business Retail Group on legal due diligence and compliance with the requirements of Ukrainian legislation.	N/A	Ukraine
14-Dec	Aequo	Aequo successfully defended the interests of Pilot Group's TV production companies by concluding settlement agreements in a dispute they were involved in.	N/A	Ukraine
14-Dec	Aequo	On November 30, 2018, the European Commission, on behalf of the EU, approved the disbursement of the first EUR 500 million of the new EUR 1 billion Macro-Financial Assistance program to Ukraine. Aequo advised the European Commission on the deal.	EUR 500 million	Ukraine

Full information available at: www.ceelegalmatters.com

Period Covered: August 17, 2018 - September 14, 2018

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

ON THE MOVE: NEW HOMES AND FRIENDS

Schoenherr Establishes Healthcare & Life Sciences Group

Schoenherr has established a new Healthcare & Life Sciences group, jointly led by Corporate/M&A Partner Florian Kusznier and Dispute Resolution Partner Andreas Natterer.

The advisory range of the new Healthcare & Life Sciences group includes pharmaceuticals, medical devices, food, nutritional supplements and animal feed, genetic engineering, and chemicals, as well as advice to physicians, other medical professions, nursing and care homes, hospitals and their operators, and investors in the health sector.

According to Schoenherr, "the healthcare sector is strongly regulated, but at the same time has a high degree of potential for innovation, which makes it interesting for technological development and investment. Legal advice in this field requires in-depth expertise and experience to deliver high-quality solutions tailored to the specificities of the industry. In Austria and the CEE region, Schoenherr has been successfully advising representatives from the healthcare, life sciences, biotech, and pharmaceutical sectors for many years, from individual physicians to international corporations. Most recently, Schoenherr advised Roche on the acquisition of the diabetes app developer mySugr."

"Clients from the healthcare sector benefit from thorough industry and product-specific knowledge from various practice areas," said Florian Kusznier. "Moreover, with its network of international offices, Schoenherr offers excellent geographical coverage for the growing healthcare sector.

"A particular focus of our activities is on regulatory pharmaceutical and food law, where we are already one of the leading law firms in Austria," added Andreas Natterer. "Our aim is to broaden our comprehensive expertise and to further improve the overall advice we provide to clients in the healthcare sector."

By David Stuckey

Weil Gotshal & Manges to Close Prague Office

Weil Gotshal & Manges has announced that it will close its Prague office at the end of 2018.

According to a statement released by the firm: "Weil and its Prague partners, Karel Muzikar, Karel Drevinek, Petr Severa and Karolina Horakova, have agreed that as of January 1, 2019, the Prague office will split from Weil, Gotshal & Manges to be owned and operated by these partners as an independent firm. The Prague office will seamlessly continue to provide [the] top class legal services in the Czech Republic which it rendered to clients for the past 25 years. On cross-border transactions involving other jurisdictions, the Prague office will continue to work with Weil's offices based on clients' needs."

The announcement that Weil's Prague office would close follows the January 2018 closing of the firm's Budapest office, with that team, led by Partner David Dederick, joining the Budapest office of Bird & Bird.

In a statement to *The Lawyer*, Weil Executive Partner Barry Wolf announced that: "Over the years, our Prague office has been a leader in the region, involved in many significant transactions in the Czech Republic. We are very proud of all that our colleagues have achieved and we know they will continue to accomplish great things. We thank them for their many contributions to Weil and wish them all the best."

This continues the recent withdrawal from the region of the larger international firms, with Weil, Gide Loyrette Nouel, Clifford Chance, and White & Case each closing multiple CEE offices in the last few years, following the pullback of Linklaters and Freshfields a decade earlier.

By David Stuckey

UEPA Opens Doors in Bratislava

Czech law firm UEPA has opened an office in Bratislava, led by recent addition Marcel Macai.

According to UEPA, "this step is the logic consequence of a growing demand of our clients, which can easier be dealt with through an own office in Bratislava. The UEPA advokati s.r.o. was recently founded and two of our Partners, Andreas Ueltzhoffer and Lars Klett, are now registered as advocates with the Slovak bar. The Slovak team counts, besides Marcel Macai, several Slovak native speakers, who are fluent in German and English as well. The Slovak office is supported by the Prague unit."

"At this stage, the Slovak UEPA law office mainly focuses on Commercial, Corporate, M&A, Real Estate and Labor law," the firm reports, though it notes that "other specializations will follow."

By David Stuckey

Dvorak Hager & Partners Merges with Eversheds Sutherland in Czech Republic and Slovakia

Dvorak Hager & Partners has joined Eversheds Sutherland, one of the 40 largest law firms in the world.

DHP Legal has 49 lawyers, including eight partners, in its Prague and Bratislava offices. The merger builds on Eversheds Sutherland's opening of offices in 2017 in Luxembourg, Russia, and Germany. The firm now has 68 offices in 34 coun-

tries.

"Dvorak Hager & Partners and Eversheds Sutherland have been working together for several years and this step is a natural outcome of our successful collaboration," said Dvorak Hager & Partners Managing Partner Stanislav Dvorak. "It is great for us, our colleagues, and our clients that we will become part of a global professional firm. This combination will bring advantages mainly for our clients who will now have access to top quality legal support in Central and Eastern Europe and in global markets."

"DHP Legal is a highly-regarded law firm in the Czech and Slovak Republics," said Eversheds Sutherland Co-CEO Lee Ranson. "Developing in key European jurisdictions is a core part of our global strategy and this announcement allows us to expand the reach of our legal services for our clients into new markets, which is of increasing importance to them. We are pleased that they have decided to join forces with us."

"We have been working closely with best friend DHP Legal for some time," added Ian Gray, Chair, Europe, Eversheds Sutherland, "and have grown closer over the last two years due to the strength of the Czech and Slovak economies. It is very attractive to clients to offer them additional legal resource in the CEE to complement our German and Russian practices."

By David Stuckey

Launch of Walless Represents Major Shake-Up of Lithuanian Legal Market

Five partners have left Lithuanian powerhouse Ellex Valiunas and have announced their plans to launch the Walless law firm in early 2019.

As reported by CEE Legal Matters on November 21, 2018, former Ellex Valiunas Partners Dovile Burgiene, Gediminas Reciunas, Joana Baublyte-Kulviete, Aiste Medeliene, and Laura Ziferman announced that they would be leaving the firm. "All partners have over 15 years of experience in the legal field, and thoroughly enjoy their profession," said former Ellex Partner and current Walless Founding Partner Dovile Burgiene in a Walless press release. "We are intent on creating a new generation law firm, which is upheld by the highest integrity and quality standards. In recent years, clients have become more assertive, purchasing specific services they need from the best legal specialists in the market. We will offer services in those areas where we have most experience, backed by expert teams."

According to Burgiene, Ellex Valiunas Partners Povilas Zukauskas, Mindaugas Lukas, and Evaldas Klimas are expected to join their former colleagues soon as well.

According to Walless, "traditional legal practice has a prolonged and seemingly inherent association of tradition, intense labor, and strict rules, which is focused on the preservation of the status quo. But just like any industry, the legal industry has not escaped disruptions led by a new generation of lawyers who seek more openness, improved processes, and improved relationships with clients based on earned trust."

Walless's Mergers and Acquisitions practice will be headed by Burgiene and Povilas Zukauskas, who is also an expert on insolvency of companies. The Financial and Banking practices will be overseen by Gediminas Reciunas, and Joana Baublyte-Kulviete will be in charge of Financial Markets, Regulation, and Fintech. The Tax and Customs practice areas will be overseen by Aiste Medeliene and Mindaugas Lukas, and the Competition and Commercial law practices will be led by Laura Ziferman, while Real Estate and Construction practices will be managed by Evaldas Klimas.

"The name Walless reveals our main values: we will interact openly and without restrictions with our clients as well as inside of our firm, and will not limit ourselves when it comes to achieving the highest level of professionalism," said Burgiene. "Our services will be customized to each client based on their individual needs. We want to be needed by our clients because of the quality of our services, and we are ready to grow together with them in the ever-changing environment of our industry. Inside the firm we will create a sustainable culture of trust and openness."

"After announcing our departure from Ellex Valiunas, we received huge support in the market," added Walless Partner Gediminas Reciunas. "Some of the top lawyers expressed their desire to work with us. Judging by the interest we have received in our company, we believe we will be starting with a team no smaller than 30 lawyers. We want change and challenges, and this support encourages us. It also shows us that the market is ready to be reshaped."

Following the break-away of the Walless team, Ellex Valiunas hired former TGS Baltic Associate Partner Ieva Dosinaite and announced the restructuring of its management team.

By David Stuckey

PARTNER APPOINTMENTS

Date Covered	Name	Practice(s)	Firm	Country
21-Nov	Johannes Juranek	Technology; Data Protection	CMS Reich-Rohrwig Hainz	Austria
21-Nov	Michal Hink	Real Estate	Dentons	Czech Republic
28-Nov	Vaclav Zaloudek	Project Development and Finance	White & Case	Czech Republic
22-Nov	Giedre Domkute	IP; Contract Law	AAA Law	Lithuania
3-Dec	Arkadiusz Krasnodebski	Energy and Natural Resources	Dentons	Poland
19-Nov	Monica Strimbei	Dispute Resolution	Zamfirescu Racoti & Partners	Romania
19-Nov	Catalin Micu	Labor & Employment	Zamfirescu Racoti & Partners	Romania
11-Dec	Elena Cirlig	Dispute Resolution	Musat & Asociatii	Romania
11-Dec	Paula Neculae	Dispute Resolution	Musat & Asociatii	Romania
5-Dec	Milena Jaksic	Labor & Employment	Karanovic & Partners	Serbia
28-Nov	Zoran Draskovic	Corporate/M&A	White & Case	Slovakia
28-Nov	Michal Palisin	Corporate/M&A	White & Case	Slovakia
28-Nov	Ceren Sen	Banking & Finance	White & Case	Turkey
28-Nov	Ates Turnaoglu	Banking & Finance	White & Case	Turkey
11-Dec	Tolga Uluay	Dispute Resolution; Administrative Law; Commercial Law	ELIG Gurkaynak Attorneys at Law	Turkey
11-Dec	Burcu Can	Banking & Finance	ELIG Gurkaynak Attorneys at Law	Turkey

PARTNER MOVES

Date Covered	Name	Practice(s)	Firm	Moving From	Country
22-Nov	Jonas Sakalauskas	Dispute Resolution; Trade & Customs law	AAA Law	Sorainen	Lithuania
12-Dec	Ieva Dosinaite	Banking & Finance	Ellex Valiunas	TGS Baltic	Lithuania
3-Dec	Ewa Lachowska-Brol	Labor & Employment	Eversheds Sutherland	PwC Legal	Poland
3-Dec	Ewa Szlachetka	Corporate/M&A	Eversheds Sutherland	Gessel	Poland
4-Dec	Magdalena Mitas	Energy; Environmental	DLA Piper	Magnusson	Poland
28-Nov	Svitlana Musienko	Tax; Corporate	Sayenko Kharenko	DLA Piper	Ukraine

OTHER APPOINTMENTS

Date Covered	Name	Company/Firm	Appointed To	Country
14-Dec	Andrea Gritsch	Wolf Theiss	Managing Partner	Austria
14-Dec	Claus Schneider	Wolf Theiss	Managing Partner	Austria
14-Dec	Sebastian Oberzaucher	Wolf Theiss	Managing Partner	Austria
12-Dec	Gintaras Balcius	Ellex Valiunas	Head of Public Procurement	Lithuania

IN-HOUSE MOVES AND APPOINTMENTS

Date Covered	Name	Company/Firm	Moving From	Country
29-Nov	Christian Blatchford	Energo-Pro	Kocian Solc Balastik	Czech Republic
29-Nov	Artur Bilski	Ramp	Hogans Lovells	Poland
3-Dec	Dana Dunel-Stancu	Biris Goran	Hidroelectrica S.A	Romania

THE BUZZ

In "The Buzz" we check in on experts on the legal industry across the 24 jurisdictions of Central and Eastern Europe for updates about professional, political, and legislative 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.

MACEDONIA: NOVEMBER 27

"The focus in the country at the moment is on the constitutional amendments to change the name of the Republic of Macedonia," says ODI Partner Gjorgji Georgievski.

In June 2017, Greece and Macedonia signed a bilateral treaty to resolve the long controversy over the country's right to identify itself as the Republic of Macedonia. Based on the treaty, Macedonia undertook the obligation to change its name in the country's constitution to "North Macedonia," to placate Greek concerns about the potential of confusion with that country's northern region, which has the same name. Currently, Georgievski says, the entire legal community in what may soon be called North Macedonia – lawyers, scholars, and academics – is paying close attention to discussions in the country's parliament about the proposed amendments to the constitution, which are expected to be incorporated by the end of the year. "Everybody is following the situation and hopes that it will not escalate," he says, pointing out that the ruling party needs the votes of the opposition in the Parliament to pass the amendments. In the meantime, citizens are rallying and protesting against the proposed amendments. "It is very difficult to estimate how this will end up," he says. "Everyone is expecting that the amendments will be adopted, but if there is a deadlock in this respect, Macedonia will enter another political crisis and it is impossible to tell which direction we will move."

What's at stake? Georgievski explains that the government's willingness to change the country's constitutional name is part of a deal which would result in the speedy accession of Macedonia to NATO and later the EU. "Everybody believes that the accession to NATO will send a strong signal to investors and the international community that Macedonia is a stable country." In addition, he says, the expectation is that the accession to NATO will lead to an influx of foreign investment in the country, not coincidentally generating more work for lawyers than in the past. In fact, Georgievski reports an observable increase of M&A and foreign investment activities already. "Lawyers are happy that the market is active now and everybody is just hoping that the trend will continue."

Indeed, Georgievski believes that a recent increase in the

activity of regional law firms such as Schoenherr and CMS in Macedonia – or North Macedonia? – in recent months is tied to the current changes and expected developments in the country. "I was surprised that they decided to set their local offices here, having in mind the relatively small size of the market," he says, noting that such firms traditionally covered the market from the distance in the form of a desk or offices in neighboring countries. "At the same time, Macedonia is a difficult market. It is cumbersome to cover it from abroad, so I think they felt they needed to have somebody on the ground." He believes that having regional firms enter the market will put additional pressure on local law firms by increasing competition for clients and talent. "Whether these law firms will be successful or not remains to be seen, yet their presence is something that cannot be neglected."

Otherwise, Georgievski says, "there are no radical changes – everything is more or less the same."

By Mayya Kelova

HUNGARY: DECEMBER 10

"What we face and what is keeping us and a lot of other firms in the market busy is solar development," says Csaba Polgar, the Managing Partner of Pontes: the CEE Lawyers, who describes a "solar boom in Hungary."

Polgar notes that, across Europe – first in the Czech Republic, then Bulgaria, Romania, and even Germany and Spain – governments started pulling back on their excessive government subsidies for solar power in the past few years. Hungary, in contrast, had taken a conservative approach all along, keeping the same level of subsidies for over a decade, with the mandatory off-take price now at approximately EUR 0.10 per kilowatt hour. The development costs of solar projects have significantly dropped in the past few years, making these investments very attractive at the moment. Thus, Polgar reports, "if you have a mandatory off-take license, and you build the power plant, MAVIR (Hungary's state-owned transmission system operator) will take the energy at a fixed price – which is currently around double the market price." As a result, he says, "in the past two years over 2,000 MW of solar applications have been submitted to Hungary's energy office. The total built-in generation capacity in Hungary is approximately 8,000 MW, so that's a very significant amount. So a lot of foreign investors with experience in solar energy are entering the market." Polgar smiles: "so we're all very busy."

According to Polgar, "the usual business pattern is that a Hungarian developer will obtain a license, get the project all the way to ready-to-build status, then pass it on to a large investor. These investors are buying them quickly – it's a fast-moving market – then going to Hungarian banks for financing. For a law firm like ours, a project like this normally takes two to three years, from due diligence to acquisition, through financing and construction, all the way to exiting. Because this is an intersection of M&A, real estate, energy, and financing, it requires a real interdisciplinary approach, which not many firms can do."

Polgar reports that some key issues related to solar installations remain unresolved, however. "These projects can be done in two basic ways," he says, "depending on whether you own or lease the land. The big controversy in the banks is how comfortable they feel providing financing when the land is leased rather than owned outright, because the question is, if you're building on someone else's land, whether you can register the solar plant as separate property, divisible from the land." In other words, he says, "the ultimate question is whether the solar power plant is a movable asset or not." He says his personal opinion – "I believe it should be considered an immovable part" – is not universal. "Some are more uncertain, because the plants can technically be dismantled and moved." He sighs. "This has created a number of discussions among law firms, as there's no clear guidance by the regulator or in the laws, and practice is not unified."

Other news is better. "For the past two years the Hungarian National Bank had a subsidized loan program called NHP, and they're about to launch a new version of it called NHP Fix, which will involve the allocation of approximately EUR 3 billion to facilitate commercial bank lending," Polgar reports. The essence of the program, he says, which is scheduled to start on January 1, 2019, "is that the banks will receive these funds at zero percent and they can put them on the market at a very low fixed interest rate of 2.5%." He described "fierce competition among the banks to see who will get what ticket, and what they can spend, and the funds will be available to SMEs, with a HUF 1 billion (about EUR 3 million) maximum loan." The funds can be used either to refinance existing loans or for new projects, he says, noting that "a lot of solar developers are looking forward to it."

"In general the market is very busy," Polgar reports, calling it "the busiest since the crisis," and noting that "GDP growth in the third quarter was 4.9% – very high." He smiles. "We feel that. And so all capable law firms are extremely busy these days, and not simply because of the end of the year." The good times have an extra (and long overdue, from a private

practice perspective) benefit. "It also has an impact on legal fees. The huge downward pressure on fees for the past four or five years has somewhat eased. It's easier to work on more normal rates. I don't think it's just us – this is what I hear on the market."

Of course, there's a drawback to good times, and Polgar admits that it's "very difficult to actually find capable trainees. Obviously lateral hires are a potential solution, but that comes at a price." He agrees that it's the "right time to be a fresh graduate and a strong associate looking to move." Still, he laughs, "if I had to choose a problem, that's a good one to have."

By David Stuckey

GREECE: DECEMBER 10

"In recent days we have been experiencing a stock exchange crash in Athens related to bank stocks," says Michalis Kosmopoulos, Partner at Drakopoulos Athens. "Share values have dropped significantly."

Kosmopoulos reports that the general assumption is that the crash is related to the remaining NPL portfolios of Greek banks. "To solve the problem, the banks need to get rid of NPLs," he says, adding that a government plan is expected to be released in the near future.

Kosmopoulos notes that the plummeting share prices was unexpected. "Everyone was assuming the big problems were over," he says, referring to Greece's recovery from the country's widely-reported financial crisis by means of the financial aid programs supported by the EU and IMF which were completed in August 2018. Greece instituted the reforms mandated by the memorandum agreement and received the last bailout tranche, "so at this point, it is a question of to what extent Greece is able to plan its own financial policy." He suggests that another bank bailout may become necessary after all. "It is to be seen," he says, "whether we are on the path of growth or we are going backwards. We hope for the best, of course."

In the meantime, everyone is looking forward to the May 2019 EU parliamentary elections and local municipality elections and the next general elections scheduled for September 2019. "The year of 2019 is full of elections," says Kosmopoulos. "It seems there will be a government switch," he says, pointing to the polls suggesting public support for the New Democracy Party. "Of course, we have almost a year to go," he says, "so nobody can be sure what the situation will be yet."

In the meantime, Kosmopoulos says, the legal market itself has been undergoing various changes. Earlier this year, new legislative initiatives were announced to incorporate a compulsory mediation stage in litigation involving traffic accident cases, facility law cases, medical liability cases, and trademark and patent disputes. The initiative has raised concerns, and the Greek Supreme Court has issued an opinion calling the law contrary to the constitution and to the fair trial principles. Thus, he reports, the new bill has been given an extension of 9 months for stake holders to evaluate the law, which he agrees "was the right thing to do" because "to file a lawsuit is, of course, both a constitutional and a human right."

Another government initiative which has been "fiercely debated," he says, involves the creation of two new courthouses in Athens. The Athens Bar Association held a referendum to vote on the initiative. "There was a huge rejection of this plan," Kosmopoulos says, "and the government recently withdrew it." According to him, "this was the government's effort to deal with delays in justice, which cannot be resolved by adding courts and judges." In his opinion, an increase in the number of courts will only increase the amount of frustration. "It would drive everyone crazy – running from one courthouse to another to meet deadlines and attend hearings." Instead, he believes, e-justice may represent a better solution. "Hopefully, we will fix the issues soon with a system where everything is managed online."

By Mayya Kelova

CZECH REPUBLIC: DECEMBER 10

Recently-introduced reforms to the Czech Code of Civil Procedure, the country's new Act on Insurance Distribution, and the Istanbul Convention on Domestic Violence are among the topics Czech lawyers are most commonly discussing at

the moment, according to Kocian Solc Balastik Partner Sylvie Sobolova.

"Actually, the new Civil Code is approaching its fifth anniversary at the end of this year," Sobolova says, "but despite the fact that the new private law was introduced quite a long time ago, we haven't reformed the Civil Procedure Code yet, which comes from the mid-60s." The working group of the new procedural code recently released the first outline of principles for the proposed code, resulting in "lively discussions," and, ultimately, a rejection by judges. As the proposal was prepared by academics without involvement of the judges, she says, the proposal was somewhat controversial. "If enforced, the new code will require that parties be represented by advocates, and judges are afraid that this will be too expensive for many people," she explains. On the other hand, she says, the proposal might reflect an attempt to ease the burden on courts of needing to make sure parties are informed of and truly understand their rights and obligations.

The proposal also changes the current system of remedies in the Czech court system. According to Sobolova, while currently the appeal serves as a regular remedy, the cassation appeal to the Supreme Court is limited to issues of law and the Supreme Court does not normally hold hearings. She explains that, in addition, "the court's judgment and decision become effective after the second instance, so when dealing with cassation appeals you usually already have an enforced or enforceable judgement of the higher or regional court." The reforms would change this by making the cassation appeal a regular remedy, Sobolova says, though she admits that she's not convinced it's necessary, because parties already have two instances before a case gets to Supreme Court.

Sobolova says that a Class Actions bill is going to be introduced in the Czech Republic, "We already know the principles it should be based on," she says, noting that the new legal framework provides for combination of opt-in and opt-out mechanisms depending on the value of the dispute, among other things. Another bill, the Act on Insurance Distribution, came into effect on December 1. Sobolova says the act underwent significant changes to reach its final form. "It reduces the number of categories of insurance intermediaries, unifies the qualification requirements, and introduces new rules, which aim to protect consumers and other customers."

Finally, she brings up the question of ratifying the Council of Europe Convention on preventing and combating violence against women and domestic violence (known as "The Istanbul Convention"). "We are having a very emotional public debate on whether the Czech Republic should ratify the treaty or not, with many stakeholders involved," she explains. "Many say ratification is unnecessary because there are already sufficient measures in our domestic law." She adds that the Czech Bar Association, for one, believes that the Convention interferes with the right of confidentiality between clients and advocates. Her first impression upon reading the treaty was positive, she says, but she also adds that, "I'm a bit afraid that if applied mechanically it might introduce a new kind of discrimination." Yet she admits it is difficult to make a judgment without a detailed analysis.

By Mayya Kelova

CROATIA: DECEMBER 20

"Agrokor is still in the center of everyone's attention," reports Vjekoslav Ivancic, Partner at Croatia's Ostermann & Partners. "Not as much as it was previously, of course. But now the settlement of Agrokor is being implemented." Ivancic says that "it's definitely going to be a challenge. But all sides are keen to settle this, as was the purpose of the Lex Agrokor in the first place."

When asked about the effect of the process on the legal marketplace, he says, "It is definitely creating work for lawyers. At the end it appears most of the sides 'went in'; they made a deal and settled. But there was definitely a lot of work for lawyers of all sides."

He rolls his eyes when the subject turns to the awkwardly-named "Law on Nullity of Loan Agreements with International Characteristics Concluded with Unauthorized Creditors in the Republic of Croatia," which he describes as a "very strange law, to put it mildly." According to him, "the purpose of the law was to protect consumers from foreign banks who gave loans without first obtaining the license of the Croatian National Bank," but he reports "the law itself was of poor quality and rendered very quickly without much consideration for constitutional principles, due to the complex political situation and the instability of the political system at the time." According to him, there is "lots of controversy about the law, and there's a case pending before the European Court of Justice as to whether the law is compliant with EU rules." The ECJ's Advocate General has issued an opinion that the law isn't compliant, in fact, Ivancic says, "so that's bringing a lot of comfort to creditors." Ostermann & Partners "works for the financial institutions" he admits, but he insists that "you don't

have to be a constitutional or an EU law expert to see at first glance that the respective law is very controversial from that perspective, so the opinion of the Advocate General did not come as a surprise to the legal community in Croatia."

Otherwise, Ivancic says, the Croatian economy is going well, and business is strong. He points in particular to the "continuing strong NPL market," and he reports that "it's not a sign of the economy rising, of course, but still, things are moving." He notes that "different funds are buying NPL portfolios from banks – and that's not the end of it, because they sell them on, and the circle continues." In addition, he says, "here the emphasis is not only on the NPL market – so loans and mortgages – but also real estate assets and their legal and zoning status. So some of the work is more in the nature of real estate transactions than NPL transactions."

And, he notes, "there's definitely more stability in the political system than there was a year and a half ago." He says, "the big issue in Croatia at this moment is the expected restructuring of the Uljanik shipyard in Istria." Though not technically state-owned, the shipyard is of interest to the state, which issued guarantees to commercial banks for Uljanik's loans. Thus, although "there is a budgetary surplus – which I don't remember ever in Croatia – the downside is that that surplus will probably be spent on guarantees issued by the state for the benefit of Uljanik's creditors."

By David Stuckey

ALBANIA: DECEMBER 21

"Nothing really big is happening at the moment," says Anisa Rrumbullaku, Partner at CR Partners in Tirana. "Not much has happened recently – it's been pretty stable for the past three months."

In fact, she says, "there's certainly no shortage in terms of investments, but no major new investments either." Perhaps not completely coincidentally, she reports that "the legal market is pretty stable as well. The law firms are more or less consolidated, and there are no real spin-offs or new firms being created."

Still, Rrumbullaku confirms that overall business is good. "Work has been better this year than last year, which was an election year." And she insists that, while some of her peers expressed relatively bleak outlooks in the past, recent developments justify a cautious optimism. "Negative observations about Albania are quite true – we see them a lot – but there is hope," she says, "because of the judicial reform in Albania. The government's commitment to change – in part because of the pressure exerted by foreign actors like the US and the EU – is good." She explains that reconstitution of two major institutions – the High Prosecutorial Council and the High Judicial Council –marks a crucial step forward of the judicial reform. "Just this month, in December, that process was finished," she reports. "So we think there will be more progress and as a result, more hope and increased confidence in foreign investors."

That business, Rrumbullaku reports, is coming from a variety of sectors, though she points in particular to increased interest by foreign investors in the Albanian tourism sector, with investors – "four and five-star brand name hotels" – looking both in Tirana and along the Albanian coastline for business opportunities. "There is a good incentive package for the tourism industry in place," she says, and though she notes that at the moment most investors are only expressing interest, she says that commitments are expected soon. Already, in fact, Hilton Garden Inn and Hyatt Regency have recently entered the Albanian market, in Tirana.

She also points to the major contract awarded by Albania's Ministry of Energy and Industry this past August to Indian energy company India Power Corporation Limited to build a 100 MW solar park on the Akerni salt flats on the south-eastern Adriatic, with a 50 MW section awarded a 15-year tariff of EUR 59.9 per MWh, and the remaining 50 MW to be sold to the local retail electricity market. She describes this deal as "the highlight in the energy sector in recent months."

In general, Rrumbullaku says, "the current government is pretty stable so far." There have been protests recently, she says, but mainly by university students objecting to the costs of university educations – "and they don't affect the investment climate." And there is a particularly business-friendly development in the country's tax regime, which will see the tax rate on dividends drop from 15% to 8% in 2019, "with retroactive effect for the past three years." She says that "many companies had chosen not to proceed with dividends payouts in the past, but this is positive news for investors; a lower dividend tax rate is always good."

Ultimately, Rrumbullaku says, the country is heading in a positive direction. "We see growth from last year, and I hope that's a positive trend that will continue into 2019."

By David Stuckey

THE CYBER CHALLENGE IN CEE

No individual, no business, and no country is immune from the threat of cybercrime. The increasingly successful and complex economies of CEE countries are no exception to this rule. In fact, for both historical and political reasons, CEE is at particular peril.

CMS, together with *Legal Week* and *The American Lawyer*, recently published a report, "The Cybersecurity Challenge in Central and Eastern Europe," which reveals and discusses how corporates and smaller businesses in the region are dealing with the cyber threats that assail them. The report asked one hundred respondents and general counsels about their cyber-strategies and levels of risk awareness and preparedness, and if there was a specific responsibility for cyber-protection within the leadership structure.

Unsurprisingly, the majority of respondents were worried about cyber-attacks in the future. The report revealed that, although in 2017 there were 113 cyber-attacks in the 18 CEE countries covered, and despite the widespread concern, only a minority of respondents had confidence that their companies were adequately prepared to detect and deal with cyber-attacks.

TRAINING AND ATTACK READINESS

Prevention of attacks is, of course, the first line of defense, but fewer than two-thirds of respondents (60%) said there was mandatory cybersecurity training for their workforce. The problem of a lack of cybersecurity awareness is most acute in small or medium firms, the report reveals, but respondents said that even in larger enterprises awareness does not always extend to the highest level. The weakness in corporate readiness for cyber-attacks is typically human error. Respondents said that even where training is fully in place and supported by senior executives, the enduring difficulty is in getting employees to prioritize cybersecurity and to be routinely aware of its requirements. The report showed that it was only in the wake of a cyber-attack that levels of awareness and preparation rose. Respondents said that in those circumstances systems were updated and counter measures implemented.

In the event of a cyber-attack, it is essential that damage limitation incident response plans (IRPs) are fit for purpose. The report revealed that fewer than half of respondents regularly update their IRPs.

WHO TAKES RESPONSIBILITY?

The extent and seriousness of the cy-

ber-threat throughout CEE has, the survey revealed, had the positive effect of increasing the time and resources invested in cyber-risk management: more than half of respondents report an increase in the past year. On the crucial questions of who in CEE businesses takes "ownership" of cyber-strategy, and who or which department reports to the Board, the findings are mixed: IT dominates with 39%, while Compliance is at 27% -- but only 11% of General Counsels have that responsibility. There is a two-thirds consensus among respondents in every CEE country that regulators need to up their game when it comes to cybersecurity processes.

REGULATIONS

Despite the GDPR having only a limited relevance to cybersecurity, respondents were concerned about compliance. No doubt it is the extent of the maximum fines for failing to comply with data security that caught their attention: EUR 20 million, or four percent of annual global turnover, whichever is higher, for non-compliance.

National laws based on the Directive on Security of Network and Information Systems are becoming increasingly relevant to cybersecurity, although respondents were far less aware of its provisions for prevention and mitigation than they were of those in the GDPR.

INSURANCE?

The report shows a general awareness of the increasing risk to cybersecurity in CEE countries. Cyber-attacks can be prohibitively expensive; McKinsey has estimated that the average financial cost of a breach is EUR 4 million. It is strange, then, that the apparent take-up of cyber-attack insurance is at very modest levels: only 37% of respondents have cyber-attack coverage. Interviews have identified a probable cause – that for many CEE countries and companies, cyber-attack insurance is a novel concept that is yet to be fully embraced.

IN CONCLUSION

Cyber-threats are difficult and elusive enemies, as they can be neither seen nor physically defeated. Security against data breaches is both a defensive strategy and intangible; there is no immediate – or at least no apparent – value added to the business. Safety, let alone immunity, can never be absolute, however sophisticated the cyber strategy may be. But as the experience of the report's respondents confirms, in a world of uncertainty little is as certain as that cyber-risks and costly attacks will continue and amplify.

Interviewee statements together with analysis of the report's findings demonstrate that CEE board directors and general counsels fully comprehend the cyber-threats their companies face. In many cases they also accept that adequate measures to mitigate cyber-risk have yet to be taken.

Dora Petranyi, Partner, CMS

Johannes Juranek, Partner, CMS

Business success in CEE countries, as elsewhere, is complex and rarely secure. As this report makes clear (sometimes uncomfortably so) an integrated and continually renewed strategy for cybersecurity is as essential to success as a skilled workforce or a first-rate IT system. Cyber is the future – its security cannot be ignored.

Dora Petranyi and Johannes Juranek, Partners, CMS

MARKETING LAW FIRM MARKETING: ARE YOU BEING TREATED FAIRLY?

The September issue of the CEE Legal Matters magazine contained an interview with a Law Firm Marketing expert who was leaving the profession, and who explained that "I became very frustrated. Working with the lawyers was difficult, while trying to maintain my dignity." She also said that "I'm afraid I discovered that many of them are simply not very nice persons. And I'm afraid that non-fee earners are not persons that are much loved at law firms." She said, "with more support I would have been happier, obviously," and that "I didn't feel I was receiving any real respect for the amount of work I was putting in."

To explore these comments, we reached out to other Law Firm Marketing experts across CEE to get their thoughts on those expressions of frustration, with the offer of anonymity to encourage candor.

Comment One: In general, I agree with the comments [in the September issue]. I think the reason why business development has a hard time with lawyers – and vice versa – is that people working in those fields are very different. Lawyers tend to be high-achievers with often quite poor team work and people skills, the so-called "star players" who prefer to work alone, know everything best, and are always busy with "real" work (meaning client work) – as opposed to the BD managers who need to be initiators, team players, and multitaskers … and also always positive and at the lawyer's disposal. Also, while lawyers focus mainly on cases or more short-term projects that need their immediate attention, BD pushes strategic projects that don't have immediate results or consequences and are therefore considered inferior. Which essentially leads to respect – lawyers (perhaps like doctors) have their own professional guild and a strong belief that they can do something that nobody else can, so it is quite natural they tend to look down at other professions, especially people in "support functions" such as BD, HR, IT, assistants, *etc.*

My personal experience shows that it is possible to gain respect in the firm as a professional if you're good at your job, however the lawyer's respect towards the role of BD has to come from the partners. If the partners acknowledge BD's importance as a key function in the organization and fully support the efforts of BD managers, the lawyers will comply eventually. However, if the partners also ignore the processes and deadlines set out by the BD manager, there is little hope for collaboration as well as results. This leaves BD managers with a feeling of frustration and unhappiness about their job.

Long story short – I guess when lawyers are constantly too busy for "whatever-it-is-that-you-are-doing" (business development and marketing), you feel that you are not a valued team member even though you may have as much (or sometimes more) experience in your area of expertise than an average lawyer has at theirs. It's just that you're a "non-lawyer" – a definition my colleague was shocked to hear at a recent law firm marketing conference.

Comment Two (From the Balkans): This is a tough one, especially for jurisdictions with few known Business Development specialists active on the market. Have you noticed how many (managing) partners do their own Business Development and marketing in CEE/SEE? They know something has to be done, but this something should, by all means, continue to be done by the lawyers themselves. Non-core professionals, non-fee-earners, and non-legal experts are disruptive, and ground-shaking, and comfort-zone-threatening. Nobody likes that. This is pretty understandable.

I remember law firms from before blackberries and smartphones, and from before WhatsApp-ing with your clients on a daily/hourly basis. There were lawyers who had a hard time accepting these new technologies. Those lawyers are out of the top-tier game now. Organized Business Development work is leaning towards being independent from the core legal profession – it is the new blackberry and the new smartphone. It changes the industry for the better, but it's an acquired taste.

Only the lawyers that have a refined taste in people and business management are and will be able to play along.

Comment Three (from External Business Development Consultant): Well, I'm in an interesting position, since I have worked both inside and outside of law firms in recent years.

When I was at [firm name redacted] it was a bit unique because I had a law degree, and that was one of the key elements that helped me to get that job. I was closer to the lawyers' profession than a regular marketing person. Lawyers have a special thing with fellow lawyers – even if you are not an active lawyer or attorney – and not with anybody else. And sure, lawyers have some of the biggest egos in the world (like doctors, I assume), and not everybody fits in a law firm. You rarely get positive feedback and you can't make the smallest mistake. But I think support staff is treated better than junior lawyers … both in terms of working hours or yelling.

Yes, lawyers are under a lot of pressure and deadlines, but it all comes down to personalities. Some of them are good people with decent management skills, and some lack these. There are good people and bad people everywhere. Not everybody should lead people – but again, this happens in every work environment.

I did not feel that they looked down on the employees more than in other work environments. Hierarchy is everywhere, and to be honest, most managers act like jerks. Sure, most of the lawyers think that their work is more valuable than that of non-fee-earners, but I felt like they were all aware that any office would go up in flames in hours without the non-lawyer staff.

They looked at me more as a PR guy than as a former lawyer who took a detour – but I got respect from most of the lawyers, probably because I worked for it and I delivered.

Since I work for several law firms now, I feel the same and I see the same. I'm respected on a management level, but not that much by the lawyers and junior lawyers. The reason is probably that they don't fully understand the purpose of the work of a marketeer or a BD person. I guess that is the main reason if you don't get as much respect as you wish for – they just don't understand the value of your work. One of the biggest challenges of a PR person is to make the management understand the role and the tasks. And good results help a lot.

Comment Four (from someone leaving a Greek firm): I am leaving the law firm, having enjoyed 2.5 wonderful and creative years – although I agree with one thing: lawyers can be difficult at times as they are traditionally very conservative and creatures of habit!

So my personal experience during my time at one of the major law firms of Greece was a very positive one: I was honored with immense respect for my work and complete trust that we are heading in the right direction with proper steering, combining traditional and innovative digital marketing.

We are happy to call ourselves true pioneers in this field in Greece and ready to take up on new challenges as our competitors start to follow our example.

Comment Five: I am not sure in which law firm this person worked in; perhaps the problem was on both sides. I would be careful about the generalization that "lawyers are not very nice people." I believe it depends on the people, not the profession. In our office, most of the lawyers are easy to work with. Some can be more difficult, but we can always reach a compromise. I also feel that non-fee earners are valued in my firm. If you do your job well, people will recognize it. It is as simple as that.

Comment Six: This is truly an interesting question, and I'll try to contribute.

Working in other industries besides legal, I can compare the relationship of marketing manager with others in the company as well as, in this case, with lawyers. Lawyers, especially partners, tend to have the characteristic (same as the CEOs of "regular" companies) that they know everything best and that they need to personally like everything before approving. People generally tend to use their personal taste and conviction as a good starting point. The point in marketing is not to satisfy the individual tastes of superiors or even your own, but to respond adequately to the challenges and meet the needs of the end consumer/client. So, basically it is pretty similar with lawyers as it is with CEOs (or even CFOs, sales directors, *etc.*).

Marketing is the only profession that everyone thinks they can do and that does not require any specific knowledge. People see marketing as advertising, and no one sees what lies behind it and what actually makes up 90% of marketing.

To sum up, it seems to me that a good argument generally wins. I do not say that there is no such feeling on this path as "let me do the job for which I am paid because I know it better," but with some extra effort to clarify things – we get to the best solution. And sometimes, to be completely honest, this additional explanation leads to a better solution. This is due to the fact that this is a really specific industry and sometimes lawyers have a better sense for those specifics than marketing managers.

We all have to work together to truly be able to "think outside of the box."

Comment Seven: I do not share the feelings. Our lawyers are nice persons but it´s definitely very hard to work with them. I cannot expect support – I just need to find an "easy" way of cooperating that is acceptable for both parties and it can work.

STRANGE BEDFELLOWS: AUSTRIAN LAW FIRMS JOIN FORCES FOR INNOVATION HUB

On October 29, 2018, leading Austrian law firms Dorda Brugger Jordis, Eisenberger & Herzog, Herbst Kinsky, PHH, Schoenherr, SCWP Schindhelm, and Wolf Theiss announced their joint launch of the "Legal Tech Hub Vienna": a non-profit forum for LegalTech companies, start-ups, and other legal market participants to identify innovation potential and work together to implement technological tools appearing ever-more-rapidly on the legal market.

The LTHV represents a unique cooperation by seven prominent law firms in the market to encourage and promote the development and implementation of technology for the legal industry, often referred to as "LegalTech." The organization's website – lthv.eu – has already announced an open call for the first LTHV accelerator programs for startups and small and medium enterprises to kick off on January 28, 2019. Founders of the LTHV also plan to establish a physical office soon.

We spoke to the founding members of the LTHV to find out more about this unique project.

Inspiration and Conception

The LTHV was the brainchild of Karin Artner, the wife of Dorda Partner Stefan Artner. "Last December we were on a taxi ride from Linz," Stefan Artner recalls, "where we visited a start-up accelerator." In that northern Austrian city Artner and his wife had seen a variety of specialized hubs for FinTech, PropTech, and IndustryTech. "We were abuzz from the energy of the accelerator and greatly inspired with new ideas, and we thought, if there was no hub for the legal industry, we would have to make it happen. The rest is history." Within a year, Artner had managed to develop the concept of the hub, pitch it to other major Austrian law firms, and get the budget approved.

One of the very first to join the team was Sophie Martinetz, Managing Partner at Future-Law, an accelerator program open to early stage and growth start-ups who create products or services applicable to the legal and professional industry. Future-Law quickly signed up as "Implementing Partner."

The Founding Partners came from both large and multi-service law firms and smaller firms experienced in working with start-ups. Herbst Kinsky, which works regularly with start-ups and advises established companies on innovation, falls into both categories. "We advise both sides and speak both languages," says Phillip Kinsky, "therefore it was clear that this initiative – which focuses on bringing startups and corporates together – is something we had to join and support."

Many participants point to their firms' institutional commitments to innovation and technology. Eisenberger & Herzog Partner Alric Ofenheimer points with pride to a "sort of think tank" in his firm, dedicated to reviewing and staying abreast of Legal Tech developments, and Schoenherr's COO Gudrun Stangl mentions the Innovation Hub initiative Schoenherr launched in 2017 in explaining that "LTHV made sense to us because we all stand to benefit from the ideas that

will emerge from the platform."

Ultimately, Martinetz believes that the LTHV will serve as a useful conduit between the law firm industry in Austria and those tech start-ups developing products that may be useful to it. "We want to get the right mix of big companies together for the law firms, and give these startups access to law firms," she says. This, she believes, should help those lawyers and law firms that are traditionally conservative and famously technology-averse. "Law firms are not start-up savvy. Although many companies are already digitalizing and collaborating with start-ups, the concept is new for lawyers."

Kinsky echoes Martinetz's analysis. "Usually law firms are quite conservative when it comes to innovation, due to internal reasons, administration, IT systems, data protection, and other issues," he says. "We see law firms being reluctant to innovate, and we are trying to change that. I think it will be a great opportunity for start-ups."

Artner, who is also a private investor in start-ups, knows that it can take a long time to get an idea to the market. "It takes the right team and values, spirit, and endless energy to be successful," he says. "And of course, it is equally important to have a product which is at the right time in the right place." The LTHV can play a major role in facilitating that process, both inside and even outside the country, he believes, noting that "Austria has historically been a hub for Central and Eastern Europe and Vienna is a great location for start-ups from the region, offering access to investors, funds, know-how, infrastructure, and a jumping-off point to the rest of Europe."

How It Works

The LTHV's three main activities are Acceleration, Research & Development, and Partnerships. The hub's specific goal, Artner says, is to discover and develop new solutions and methods to improve the legal industry. And the LTHV's large law firm membership provides a unique opportunity to potential start-ups, he says. "With the LTHV we offer a market view on the product before start-ups enter the market. This can be done at a very early stage – even just evaluating ideas and visions."

The hub itself is divided into two groups: the democratically-elected Board, which is tasked with ensuring public awareness and interest and developing strategy and goals, and which consists of Philipp Kinsky, Gudrun Stangl, and Stefan Artner; and the Jury, which is charged with implementing ideas and developing criteria for startups and SMEs and for the scope of work and target technologies, and which consists of representatives of all seven founding partners.

Martinetz herself is tasked with running the day-to-day operations of the LTHV. She explains that the accelerator program will be "the first big thing" the LTHV will work on, with applications being accepted as of the first day of 2019. According to her, the LTHV members plan to work closely with LegalTech companies on innovation and helping them move forward, as well as seeking other start-ups that focus on raising the efficiency of internal legal management and those that focus on AI and blockchain products.

Artner describes the hub as facilitating a *process*, rather than merely providing a simple conduit for existing technology. "I think we are only at the beginning of the advancement of technology," he says, "and we have yet to understand how this will change our profession. The capabilities of technology and process innovation will fundamentally change the way lawyers work and how they deliver legal services." He notes that "less complex work or standardized procedures will be solved by technology one day," so those lawyers who are most comfortable embracing modern technological tools will "always be in the game for solving complex legal issues and helping clients make decisions."

Among the hub's three core foci are Transaction Management – facilitating

Founding Partners of the Legal Tech Hub Vienna. From L-R: Christian Pindeus, Partner, SCWP Schindhelm; Philipp Kinsky (Partner, Herbst Kinsky); Sophie Martinetz (Managing Partner, Future-Law); Stefan Artner (Partner, Dorda); Gudrun Stangl (COO, Schoenherr); Alric Ofenheimer (Partner, Eisenberger & Herzog); Stefan Prochaska (Managing Partner, PHH Rechtsanwalte); Erik Steger (Managing Partner Wolf Theiss) (photocredit: Marlene Rahmann)

Alric Ofenheimer

Andrea Miskolczi

Erik Steger

Philipp Kinsky

more intelligent reviews, better documentation, and processes automation – and Data Management. "Innovation has changed the entire way of handling these processes," Martinetz claims. "What we can see is that the vast amount of data simply exceeds people's time, because no human can look through three terabytes of data," she says. "It really is about helping lawyers to review data more effectively and efficiently and therefore deliver better results." The final core focus is Law Firm Management, involving improving both communication with clients and client-service-related processes, work, and cost management, and optimizing internal and external processes.

The hub is also open to working with interest groups and universities and plans on developing standards for the legal industry through academic partnerships, research, and other projects. Wolf Theiss Chief Business Development & Marketing Officer Andrea Miskolczi, an LTHV jury member, explains that involving universities is a critical component of the hub's mission. "We invite universities to help us to understand how developed different technologies are, what can be expected from different machine learning or natural language processing tools. They are kind of our consultants, but they also can channel in."

E Pluribus Unum

Beyond keeping up with consistent technological leaps forward, the idea of law firm competitors working together in this manner is, if not unprecedented, at least decidedly rare. Stefan Artner explains that his decision to work with other law firms was based on his vision of reconstructing the whole legal industry. "LegalTech is taking up an important role in the legal consulting industry worldwide and will, to some extent, revolutionize legal advice. Hence, I deemed it important that this initiative not be driven by one single law firm, but that we find a platform for the whole legal consulting industry so that the LTHV can grow on a large basis." A rising tide lifts all boats, he believes. "This is our common denominator – as different and as competitive as we are – we all know that pulling on the same rope is a major advantage for each of us. In the end it is very simple: Joining forces in this field enables better resources in time, money, and people, for more projects." He smiles. "It's a win-win for all parties."

Still, other LegalTech hubs in Europe are usually established and run by single law firms – one of the reasons ILFs like Allen & Overy, Baker McKenzie, and Freshfields opted out of the LTHV, according to its founding members. "In the UK, for example, you will see law firms such as Allen & Overy doing this individually," Miskolczi concedes. "But of course A&O is large." In any event, she insists, such collaboration is hardly unprecedented. "We also see banks cooperating on Fintech, and thus the idea of working together in regard to technology and digitalization is not completely new."

"It simply does not make sense to compete against each other in this changing area," Steger adds, "where all of us will be affected." For example, he notes, the compliance work each law firm does provides no real competitive advantage, yet requires a lot of time, human resources, effort, and cost. "If that could be optimized it would help us get our feet to the ground much faster."

Stangl agrees. "There is a lot of buzz around artificial intelligence, LegalTech, and data management," she says, "but few can see the forest for the trees or determine which LegalTech solution makes the most sense to them. In essence, we're all in the same boat in terms of the challenges that digitalization poses, so it makes sense to join forces with our peers." Besides, she notes, the LTHV does not affect individual law firm strategies and the development of competitive advantages in other areas.

Instead, it contributes to the ability of strong local and regional law firms which otherwise would fall behind their international counterparts. As Eisenberger & Herzog's Alric Ofenheimer explains, "in

comparison to international law firms like Allen & Overy or Linklaters we are simply too small. We do not have sufficient funds to keep up with these international law firms, and therefore for us the only way not to stay behind is to cooperate with other law firms which have the same problems."

As a result, Ofenheimer insists, there is a friendly atmosphere within the team. "I am happy to see that our ideas and needs can be shared with other law firms without having a barrier to prevent or hold something back to hide that maybe in some fields one firm is more developed and matured than the other. We should try to keep this good spirit."

Prochaska agrees that the sharing of knowledge to provide faster and more efficient development is important, but he concedes with a smile that that the make-up of the group surprised him. "For me personally it is a little astonishing that Wolf Theiss and Schoenherr are willing to work together within the project, because they are really tough competitors and two of the tops of the market." He laughs, joking that "we will see how it will work out."

Shaping the Future

There is little contesting the inevitable effects of technology on the legal market. Indeed, it is already resulting in significant competitive pressure in the industry, and Stangl points to its effects on fees. "As the technology boom progresses, our clients' expectations have also changed," she says. "In addition to obtaining the best possible legal service, clients are now also interested in how exactly we create and offer them."

Miskolcz agrees that the legal industry will inevitably change and diversify, with new technologies reshaping the traditional law firm business model and non-lawyers coming into law firms. "We will see legal project managers, IT people, and legal engineers working alongside lawyers on transactions," she says, "not only in the back office, but in client-facing roles. Of course clients will see that, and they will not tolerate paying an extra fee for the old-fashioned form of service delivery."

Ultimately, Miskolcz believes that the result will be similar to other sectors, with technological tools taking over repetitive, easy, and automated tasks. She draws a parallel with the transformation of the automotive industry, where 50 years ago cars were built by a human workforce that today has to a large extent been replaced with robots. But in her telling this is a positive prediction, not a bleak one. "You still need people for creative and high level tasks in the car industry," she says, "and the legal industry now faces something similar – simple repetitive and basic tasks will be taken over by software and software will support lawyers to an extent which is unimaginable today."

Mayya Kelova

LTHV Board: Philipp Kinsky (Partner, Herbst Kinsky); Gudrun Stangl (COO, Schoenherr); Stefan Artner (Partner, Dorda) (photocredit: Marlene Rahmann)

Sophie Martinetz

Photo Credit Marlene Rahmann

Stangl Gudrun

Stefan Artner

Photo Credit Elke Mayr

Stefan Prochaska

Photo Credit PHH Rechtsanwalte

FORMER A&O PARTNER HUGH OWEN: ONE YEAR ON

At the end of 2018 long-time Allen & Overy Partner Hugh Owen announced that, after 23 years at A&O — 19 of which were spent in CEE — he was stepping away from that Magic Circle firm to start his own consulting firm, called Go2Law. A year later, we checked in on him.

It has been a little over a year since I retired as a Partner at Allen & Overy and became a Consultant. It has been a fascinating episode of my life.

While I made the decision to retire in a very rational way, I still found myself shortly after the decision thinking: "What have I done?" A myriad of emotions ran through me: fear, relief, excitement, a sense of being slightly lost, fear, a loss of confidence, confusion. Did I mention fear?

I had worked for the same firm for 23 years, with a huge platform, allowing me to take so much for granted. When you set out on your own, you suddenly have to address really basic questions, like what is my IT system going to be, how do I create a website and what should it look like, how do I set up a law firm, and so on. Things which of course many of you already experienced some time ago.

Suddenly I felt very alone. Maybe I needed a law firm platform after all? A number of firms spoke to me about joining them, and that was a very positive experience. I learned a lot, and I had some very open and interesting discussions, for once being able to talk to people about their plans and goals – not just from across the negotiating table, and not speaking to them only as competitors.

But after much thought, I decided eventually to stay where I was, and I set up my own new little law firm. I wanted to focus on work that was specifically deal-oriented, satisfying my taste for the battle-smoke of tough negotiations.

Then, bit by bit, other people started to call me. Former colleagues, and lawyers from SEE relationship firms, asked how I was doing, and whether I was still available to help. Previous clients called too, sometimes to work out how I could continue to support them, and sometimes just for a friendly chat. And sometimes

other law firms that I hadn't worked with before began to call me as well to ask if we could work together.

I started to realize that these friendships, built over many – 15, sometimes 20 – years, were real, and that they mattered. And that people were interested in me as a human being and not just a service-provider. I experienced an affirmation of goodwill and good nature that should give all of us courage and hope that many things are possible with a little help from your friends.

And talking of friends, we turn to how things worked out with my former firm. Well, not only did A&O provide formal support on my transition into "civilian" life, but pretty much all of the people at the firm that I had worked with over the years got in touch too. They asked, "Ok, so how will we continue to work together?"

So I decided that I would like to continue to work as a Consultant, as part of the A&O team, on a non-exclusive basis. As a result, since I retired as a partner I have already worked on around ten transactions with my former A&O colleagues. But I have also worked with some of A&O's relationship firms, and some entirely new firms, on another seven transactions as well.

But more than that, my former colleagues at A&O still invite me to the off-sites, and still invite me to some events, not as a formality to an alumnus, but just because we still like spending time together. And perhaps it is this element that most pleasantly surprised me. A partner at a SEE law firm signed off one conversation with: "Don't forget you worked for nearly quarter of a century with a Magic Circle Firm." The professionalism and friendship extended to me from A&O in the past year or so since I left the firm means a great deal.

The *Go2Law* set-up seems to work very well: those who want to work with me alongside A&O can still do so; those who for various reasons would like to work with me as *Go2Law* can do so too. The role can be as large or small as suits the client. Everyone is a winner, because you get what you need, when you need it. And I don't really worry too much any more when there isn't something to do for a few days. Actually, I really enjoy it.

From time to time I have put a few small comments out there on LinkedIn - a deal I just signed, usually, or a ranking in a legal directory. And while I would hardly want to be seen as some kind of social media junkie, this has also been a surprisingly strong source of encouragement. When you get 10,000-15,000 views (even if half of those views are probably people seeing it by accident), or x hundred "likes," the fact that someone out there has taken the trouble just to give you that little thumbs up gives you a feeling that people actually care. Like a friendly wave.

So thanks to everyone for their support – and for reminding me that sometimes the smallest of actions can be a great help, support, and inspiration.

Hugh Owen,
Go2Law

INSIDE INSIGHT: ADINA CALFA-DUDOIU OF ROSIA MONTANA GOLD CORPORATION S.A.

Adina Calfa-Dudoiu is Legal Director at Rosia Montana Gold Corporation S.A., the gold mining project of Canada's Gabriel Resources in Romania. Before joining RMCG in February 2017, she spent three years as Legal Director of UPC Romania, and another ten in private practice with CMS.

CEELM: Before joining RMCG you worked in the telecom industry. What led you to the mining industry and how did you adapt to it?

ADINA: In my career of over 15 years I have advised clients from various industry sectors, work that carried me through a wide range of topics and in which I have interacted with a multitude of top industry leaders. Despite the wide range of industries, the common point that weighed significantly in my approach was finding business-oriented tailored solutions to problems with significant impact on the business, while at the same time not exposing the company.

Indeed, I was active in the Telecom, Media and Technology sector for over ten years (both in private practice and in-house), three and a half years of which was spent as Legal Director of UPC Romania (part of Liberty Global). However, my private practice experience is wide, as I was involved to a large extent in the chemical and energy sectors, where I have been active since the early years of my career, both on the transactional and regulatory sides. Accordingly, the switch from telecom to mining was not an unexpected change for me. It was the uniqueness of the project that played a decisive role in the choice I made two years ago.

CEELM: What specific challenges does the mining industry present for in-house counsel?

ADINA: I think that the mining industry worldwide has always been challenging. It has always been the subject of various types of disputes, since the early years of civilization to our days, as it has the power to significantly contribute to the well-being and economic growth of a country, as a whole, directly, by contributing significantly to both local and central governmental budgets, but also indirectly, by attracting and stimulating investment across the economic spectrum of the country's ports, transport, industrial, and IT sectors, among others.

It is also the reason, in my view, why ensuring significant investment in a strong mining industry should be key for each country. One instrument in reaching this goal is a proper legal framework, including an investment framework and mining policies. Through the years, the legal framework has changed and developed, as nowadays we are all more conscious of the importance of sustainable projects. Players in this field put great effort into ensuring that, when mining facilities are developed, they are designed to the highest standards, in order to comply with the most stringent environmental laws in the EU. There are instances when local regulations are more rigorous than EU rules (and vice-versa), and this is when the in-house counsel, working with company experts and consultants, ensures that the company stays fully compliant and adopts the more stringent standard.

CEELM: What are the biggest challenges that in-house lawyers face in Romania these days?

ADINA: In Romania, generally, we are facing two type of legislative challenges, as while some areas change frequently, such as legislative initiatives in the fiscal domain, others are hampered by old and outdated laws or which are lacking implementation norms that would clarify or ensure proper implementation of that particular legislative enactment.

I think keeping pace with technological changes and their impacts on business is our – in-house lawyers' – main challenge. During my career, and particularly in my role as legal director, I have frequently found myself in a delicate position where I had to fit a very bright, innovative business idea into an outdated legal box, in such a way not to alter the added value brought by the idea, but at the same time to ensure full legal compliance. At the end of the day you need to think outside of the box while keeping the big picture in mind, and be innovative while working with old tools. Legal consultancy is, in fact, an art.

CEELM: What is your typical day at work like?

ADINA: A typical day at work involves many discussions and internal meetings with business partners and external meetings with various authorities and representatives of the business or decision-making environment, but also planning, strategy, and organization, as well as a lot of study and administrative work.

All of these are, however, often re-tailored according to the company's priorities at the time.

As we deal frequently with complex legal aspects, this requires solid knowledge, extensive experience, and excellent collaboration with specialists in various practice areas.

CEELM: What element of moving in-house was most surprising to you?

ADINA: I always wanted to be part of the entire decision-making process but also to effectively contribute to a company's business growth. So, after ten years of private practice I decided to make this step forward – and my extended expertise in various regulated sectors provided me with a wide range of options. My first and natural choice was, of course, the Telecom sector.

What I love the most about being on the in-house side is the fast-paced rhythm and complexity I deal with on a day-to-day basis, as this fills me with energy. It is also the fact that that business is an integral part of what I do. I think that as in-house counsel, the closeness to business is what gives you the opportunity to effectively contribute to a company's success, to create and leave something good behind.

CEELM: What are the most important features that you take into consideration in choosing external counsel to work with?

ADINA: Currently, the trend to which more and more companies are aligning to is the cost-effective solution, therefore the financial aspect is important in choosing the company's consultants in legal matters. However, depending on the issues raised by one project or another, the defining criteria according to which a particular law firm is chosen remains related to its attorneys' performance, specialization, reputation, and resources.

For most projects the outsourcing decision belongs to the local legal department. However, there are projects that may have an impact on the activity of other companies in the group or the group in general, in which case the choosing of the law firm is made together with the group leader at the level of the group and usually involves choosing a worldwide highly renowned law firm.

CEELM: What kind of personal skills do you believe you have that are most useful in helping you lead the legal team?

ADINA: One of the most important skills, in my opinion, is to know how to build both teams and trust. Once the relationship with all the people in a company is strong, the legal counsel becomes a true business partner and essential piece in ensuring the success of projects.

Legal counsel should also be great communicators and project managers, as they play a complex role in the life of a company, serving at the same time as consultants for the management team but also as a connection between it and the rest of the departments.

They need to be good strategists, able to see the big picture and to provide innovative-but-simple and legally compliant solutions to complex issues in the context of high-speed technological progress overlapping growing legislative and political instability in the country. It is of utmost importance that legal counsels know how to ensure that every project is aligned with their companies' strategies, and that they have, from the very beginning, well-thought-out and forward-looking plans, from Day 1 to post-completion.

CEELM: If you had to identify one person who was most valuable in mentoring you in your career and helping you get to this current position, who would it be? What did you learn from that person?

ADINA: During my career I have had the opportunity to work with brilliant attorneys and, at the same time, high-class professionals, whom I am very grateful to and with whom I share the passion for the legal profession.

I also had the privilege to work closely to some true and very skilled industry leaders, from whom I've learned tremendously much and who helped me better understand the business, who mentored me and made me become a better counsel.

Over time I have been inspired and learned from many professionals, but I would name two, as their influence mattered the most at that particular moment in my career: One was the then-CFO of one of Advent International's companies, Irina Rosu, whom I worked with closely for a very long period of time and who fueled my passion for the business side of the legal consultancy. Working with her made me realize even more that, naturally, the next step in my career should be in-house.

The other person who inspired me is Severina Pascu, the CEO of UPC Switzerland (who was then the CEO of UPC Romania and Hungary). Severina, who is herself a consultant turned CFO and later CEO, is the perfect blend of sharpness, professionalism, passion, humble-ness, business-sense, humor, understanding, and energy. She is a true industry leader. Working with her on a day-to-day basis inspired me as a professional and as a leader. If I should name three things I took from working with her, I think these would be out-of-the-box thinking, combined with a full-picture view and business understanding.

CEELM: Let's conclude on a lighter note: What is your favorite part of Bucharest, and what is your favorite thing to do in the city?

ADINA: The place in Bucharest that is closest to my heart is a residential area placed in the northern part of the city, where each street is named after a well-known capital – an area that is full of imposing but beautiful old buildings, where the charm, elegance and mystery of the past is preserved.

Every time I have the chance, I love listening to good live jazz in the company of my friends. And as I am pretty social, I enjoy a good conversation about politics, art, sports, and lifestyle in general with inspiring people.

Vaida Stockunaite

MARKET SPOTLIGHT: ROMANIA

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GUEST EDITORIAL: HOW I SPENT THE LAST 20 YEARS

1999 was the year I started my career as an attorney, as a young graduate from the law school at Bucharest University, just accepted to the Bucharest Bar. Times then were so much different than today, and as 20 years have gone by, I look at what those years have meant for Romania and for me, and how much things have changed for the country I continue to live in and build my personal and professional life in.

1999 was a year of extreme economic hardships and turmoil as Romania's broken-down economy, still isolated and insufficiently connected to the European community, was still eight years away from its 2007 accession to the EU. Romania was in desperate need of reform and foreign investment, after the period of turmoil and confusion which followed the fall of the communist regime in 1989. To put things in context, the region was still shaken by war in Yugoslavia, and Bill Clinton was the US President. At home, the ROBOR index reached an all-time peak of 148% and the exchange rate fluctuations were incredible – Romanian currency depreciated against the USD by 33% in only one quarter(!!). Nobody seemed to care too much, though, as there was virtually no lending to the population, so the effects, at least on this front, were somehow naturally contained.

1999 was the year of the defaults of Bancorex and Banca Agricola, two of the largest state-owned banks. That year, Prime Minister Radu Vasile was replaced by a "technocrat": the National Bank of Romania's Governor, Mugur Isarescu, who would try to contain the rampant effects of inflation and economic downturn in leading the government until the next election in 2000

20 years after 1999, I look around and realize that so many things have changed for the better, both for me as an individual, as I

managed to grow personally and spearhead a more-than-fulfilling personal and professional life, but also for the Romanian economy. Maybe even more importantly, the last 20 years have changed our understanding of democracy, the free market economy, and freedom overall, in giving my generation the ability to practice and do business in any sector in a connected and more flexible environment. There are of course still many gaps to fill, many things to improve here to bridge the flourishing economy in and around the capital city and the cities in the western part of Romania with the poorer, much less developed parts of the country, but all in all I am confident that we are on this path and this goal remains achievable in the years to come.

1999 was also the year of the total solar eclipse, which, ironically, was best visible from Romania. So, at least for me, my adult life started in a stormy and strange year, but brought me where I am today, and for this reason, I hold a special place in my heart for that year.

Miruna Suciu, Managing Partner, Suciu Popa Attorneys

FROM BABY STEPS TO A FULL SPRINT: ROMANIAN START-UPS REVIEW THE PROCESS

Law firm spin-offs are a familiar phenomenon in CEE. To find out what challenges lawyers have to deal with when they leave established firms to start new ones in the current climate, CEE Legal Matters sat down with several partners who have done just that to get their perspectives on the process.

THE DRIVE TO BE DIFFERENT

"Why not?", laughed Anca Mihailescu, Partner at Ijdelea Mihailescu, when asked why she left Nestor, Nestor, Diculescu, Kingston, Peterson to join with Oana Ijdelea and start a new firm. She added: "I left my previous firm because I wanted to do things my way, to take the good and leave the bad and take everything that I learned and try to not take the things I didn't enjoy as much."

Indeed, a number of partners spoke of the desire to take the technical skills they had learned in their previous positions and create something new. Serban Patriciu, Partner at Patriciu, explained that his decision to leave Bondoc & Asociatii was made non-scientifically. "We weren't very pragmatic [about it]. There wasn't a specific point where we sat down, looked at the figures, and told ourselves that we had enough portable business to do it our own." Instead, he said: "We had a vision that we could start something new and we're ambitious to prove ourselves right in thinking that a boutique law firm specialized on real estate could work and that there is a market for us."

Others emphasized their desire to innovate in serving clients. BRH Law Partner Madalina Berechet, who split off from Suciu Popa, said that large firms tend to become "out of fashion," and relatively slow to adapt their *modus operandi* to businesses often moving too fast for their levels of flexibility, especially because despite the pressure to keep up, many of the larger firms have developed levels of comfort around their long-standing brands. In contrast, she claimed, newer firms tend to be more in sync with their clients. Indeed, she noted, many clients developed closer relationships with the associates who had day-to-day responsibility for managing their affairs at the bigger firms than with the partners who oversee the contact. "Of course, [those clients] are supervised by a Senior Partner, but [the associates] are usually the first point of contact, they are the ones always on call, and even in terms of age they tend to be more compatible." And the limited contact between senior partners and their clients can limit those partners' effectiveness as well. "Without that constant interaction with the client it's so much easier for older partners to err on the side of caution and take conservative approaches to getting a job done."

Mihailescu agreed. "By no means am I saying that big law firms are not good," she insisted. "But I do think there are times where things can get caught between too many lawyers, too many projects, and things can get lost in the process." And this problem, she claimed, can be tied in part to particularities of the market she works in: "In Romania, business law is rather new, so all large law firms grew in a short time. It is hard to grow in the best manner possible in this setting as things can get lost in this process. You simply cannot hire 100 excellent lawyers in the span of three years. In contrast, in London, where you had business law for over 100 years, you could expect far more organic growth."

While rejecting the strategy of growing just for the sake of growth, many we spoke with referred to the goal of building a happy team. Andreea Suciu, Partner at Suciu|The Employment Law Firm, who split off from Noerr, said that she hoped that her way of doing business would attract employees and colleagues who were turned off by the traditional way of doing business. "I am hoping to build a genuine team where people enjoy coming in to work," she said. "I want to do things a bit differently from established firms. For example, I want to implement flexi-time as opposed to 'you have to come in from 9 to 6 or 7 or 8.'"

TAKING THE DIVE

But success, for would-be entrepreneurs, requires mustering the courage to take a leap of faith into the unknown, and many of the partners we spoke to described the anxiety they experienced informing old clients about their moves. Andrea Suciu, whose firm focuses on Employment law, said that "it is not yet a trend in Romania to be a boutique specializing in one field of law. In our market clients are used to picking one firm and having all areas cov-

Anca Mihailescu

Andreea Suciu

Madalina Berechet

Serban Patriciu

ered, so I didn't know what to expect in terms of reactions."

Madalina Berechet recalled that her departure from Suciu Popa was made even more difficult because, as that firm had itself split off from Musat & Asociatii just a year before, it represented, in essence, a spin-off from a spin-off. As a result, she said, "I was faced with telling my clients that I was leaving for a *second* time within a rather small period, and that felt quite awkward."

Ultimately, both Suciu and Berechet said their fears were unwarranted. Suciu recalled: "I was happy to see that clients don't care. They're not looking for a full-service offering – but to have solid support in each area, even if that means picking multiple boutiques." In addition, she said "they are looking for good relationships, for good lawyers. Really, it's like going to the doctor. What is critical is who you are working with and building the right trust in that relationship."

Berechet had a similar experience, as her clients told her that "it doesn't matter the name of the firm you are working in, what really matters is the lawyer or team of lawyers that works on our cases." She described this reaction as "a happy surprise."

Patriciu's experience mirrored those of Suciu and Berechet. "We were relaxed by the vote of confidence of clients following us. It's like pushing a boulder up a hill. Sometimes you get tired, but we have a lot of enthusiasm and are sure that things will only get better."

[MANAGING] THE CHALLENGE

Even when clients do come along, adjustment to the new reality is not always easy. Serban Patriciu admitted that "we needed to get accustomed to the new format," and Madalina Berechet recalled the experience of working for a few weeks without a proper office as difficult, especially for a lawyer who was "used to giving off a specific image."

Andreea Suciu's memories suggest that flexibility, and an ability to change plans, may be useful. "I did initially think I need to do what other lawyers do: have my own office, a receptionist, a conference room, *etc.*, but it's just me plus one more lawyer (and soon, maybe two), so I didn't think this would be a wise choice. I did want a community around me, though, so I started working in a shared office environment (something I never expected to do)." Surprisingly, however, she found that flexibility rewarded. "I love [this arrangement] because you get to interact with a great deal of professionals while having all the other necessary elements, such as a secretary, a conference room, *etc.*" The shared office space also gave her valuable structure, she said. "I had the chance to work from coffee shops and home office but I am a social person. I can't imagine myself doing that for the long run – and I don't want to send the message that I am a small one-man-show working from home as a brand image either."

Of course, operating your own firm – in whatever form – means losing the institutional support you enjoyed previously. According to Anca Mihailescu, "when you have your own law firm, people tend to look at you in another way. Even though the client knew only me as the one who was negotiating and doing the work, I felt I had a cover – a wall – the idea that I had a large institution behind me."

And the differences are not only psychological; there are significant practical difficulties involved in splitting off as well. Serban Patriciu noted that while it is the *lawyering* that gives him the most pleasure, "we need to deal with the business side of things too." He sighed. "We, lawyers, are not businessmen – law school does not prepare you to run a business." As a result, he said, "we play things by ear and follow what others are doing."

Mihailescu echoed Patriciu's comment, saying, "I think the management part is the biggest challenge – no, I don't think, I *know*." She recalled watching an interview when she was young with a senior partner who talked about how hard it was to be a manager and reporting that taking

time away from lawyering was, "painful, but you have to do it." She said when she first saw the interview she rolled her eyes and thought, "come on…how hard can it be? You're the boss!" But, she said, "now I remember that interview and I *feel* what was said there. Coordinating teams of lawyers on various occasions is different from having to manage and handle everything, from the cleaning lady to the office that I designed … to IT, and many other things."

At the end of the day, however, the difficulties of running his own business were useful, Patriciu claimed, and made him a better advisor, as he now "feels the pain" with his clients. "I now have skin in the game," he said. "I am going through the same process that some of our clients went through 10-20 years ago, so I understand better where they are coming from as a business owner."

BRING ON THE CLIENTS

"It's been a very interesting first year," said Serban Patriciu. "Of course, the stakes are high. Even though we were followed by all of our previous clients, we still needed to permanently expand our client base." And to do so, he said, meant focusing on "two main pillars: connections and reputation." Perhaps counter-intuitively, he said, he and his partner, Andreea Secu, did not reap as much benefit from their previous association with a well-established firm, because they had been so embedded in that firm's strong brand, and it is "quite tough to create and establish a new brand for ourselves that clients can refer to. This takes time, but it is something we need to do on a daily basis."

In reaching out to new clients, Patriciu said, it is important to put forward your technical skills. He reflected on the ways he and his colleagues do this now: "We want to concentrate on providing valuable information through articles, we go to conferences, we try to improve ourselves all the time – for example, Andreea is getting her Ph.D. – and we're contemplating publishing a book. We want to put forward our technical skills but also emphasize what we have different as a firm specializing on real estate."

But choosing the particular method of reaching new clients isn't so simple, noted Andreea Suciu. "It is hard to measure what really generates more: conferences, writing articles, asking for references, putting up banners on different platforms, *etc.*" Nonetheless, she prefers those methods to the tastelessness and tackiness of self-promotion. "What I hate is direct selling," she insisted, "because I hate it when people do it to me. Building up a relationship takes a whole lot more time, of course, but these days there are so many firms that sell directly with a pitch about how great they are. To me, content marketing is ideal because we can show what we can do for them rather than the usual spiel of 'we are the greatest in Romania.'" She laughed. "We're *all* great. Maybe the fees and our size vary, but we're all great."

Finally, Anca Mihailescu warned about the dangers of overconfidence that may come when initial business is good. "One thing that I was taught when I was a younger lawyer but didn't pay as much attention to at the time," she said, "is that when you are busy, *that's* when you need to do business development. When you are not busy, you are desperate for work and it shows."

BRICK BY BRICK

Ultimately, slow-but-steady seems to be the recommended pace. "I find it important to take it one step at a time," said Andreea Suciu. "For example, be careful with costs, because people forget they no longer have a fixed income. Just take it slow and remember to always stay grounded."

Part of that grounding appears to take the form of realistic goals in terms of firm growth. Indeed, most of the partners we spoke to claimed they had no interest in growing to the size of the major existing firms in the country. Suciu noted that his firm had around ten lawyers, and "I think ten will suffice, considering we are a niche firm."

And Serban Patriciu cited a similar goal, including two or three partners. "We don't want to become big for the sake of it," he said. "Just to have a number to put on our marketing materials to impress clients. Our initial plan was to reach the ten-lawyer mark that the biggest firms here have in terms of their real estate teams, but we do not suffer because we are not there yet."

Anca Mihailescu, whose team is *already* at that magic number of ten, said she aims to grow to 30 to 40 lawyers in the next five years, with an ultimate goal of growing, over time, to about 50 professionals, including seven partners. She explained that her ideal method of growth is to "hire young lawyers and shape them" since lawyers moving laterally with years of experience at other firms are used to different cultures and have learned and internalized a different set of values.

Several of the partners we spoke to suggested that growth might, in fact, distract them from the work they really wanted to be doing. According to Suciu, "not only would it be difficult to justify being a firm of 50, it'd be difficult to manage it all and I don't think I'd enjoy working in that setting." Madalina Berechet agreed, noting that she'd very much prefer working on ten cases, and not on 300.

FEELING THE FEELING

Ultimately, everyone we spoke to was enthusiastic about their decision to split off from more established firms. "I knew I wanted to do this with, all the risks involved," said Andrea Suciu. "It is good to have dreams, but avoiding pressure means you avoid stress, and I am keen to do what I like, and I am sure that that positivity will translate into healthy success in the long run."

A similarly positive vibe was expressed by Serban Patriciu. "It's like being a father. There are few real revelations, but there are bits and pieces along the way. We have created a baby and are excited to see it starting to walk on its own two feet."

Radu Cotarcea

IN ITS DNA: DELOITTE LEGAL'S GROWTH AND PLANS IN CEE

Deloitte Legal has been registering impressive growth in the CEE region. CEE Legal Matters sat down with Andrei Burz-Pinzaru, Head of Deloitte Legal in Central Europe, to learn more about what fueled the development of Deloitte's legal services function and what the firm's plans are for the future.

A LOOK BACK

"According to my assessment, we might be the largest legal practice in the region, by number of lawyers," says Andrei Burz-Pinzaru, Head of Deloitte Legal in Central Europe, who points to a headcount of 360 lawyers across 14 countries.

"Poland has the largest team, with close to 100 lawyers, followed by Romania and the Czech Republic, each with more than 70 lawyers," he adds, noting that Deloitte Legal represents the 5th or 6th largest law firm in each of those jurisdictions in terms of headcount.

The first law firm affiliated with Deloitte Legal in the region – Reff and Associates – was set up 11 years ago, but that does not fully encapsulate the legal services line history in Romania. "I first joined Deloitte in 2002," Burz-Pinzaru recalls, "and at the time Alexandru Reff, who is currently the Country Managing Partner of Deloitte Romania, had already been working within Deloitte for a while. At that moment, the law firm Reff & Associates was not set up as we know it today. Instead, we were supporting clients on legal matters as lawyers working independently and in cooperation with Deloitte."

Reff & Associates was set up in Romania in 2007, and Polish and Czech offices soon followed. "We have a different story in each country from CEE," Burz-Pinzaru recalls. "For example, in Poland we grew organically, and then accelerated over the last couple of years with two lateral hires at the partner level, and in the Czech Republic a defining moment was in 2011 when Ambruz & Dark – the former PwC Legal firm in the country – joined Deloitte Legal." Like Poland, other offices also started with an organic growth trajectory but kicked things into high gear with strategic hires down the line: "In Hungary," Burz-Pinzaru says, "the approach was to develop talent internally. About five years ago we refreshed the strategy and started to make notable lateral hires, such as with Erdos Gabor, the current Managing Partner there, who joined from Wolf Theiss and significantly grew the practice since then, reaching 30 lawyers today. Similarly, Bulgaria has had a legal practice in place for more than 15 years, but things started to take a whole new perspective in 2014 when Reneta Petkova joined from CMS."

Two defining moments in Deloitte Legal's history came five and then four years ago, according to Burz-Pinzaru. "Deloitte is –

Andrei Burz-Pinzaru

and it also was at the time – the largest of the Big 4 advisory firms in the world, but it did not really have a clear global strategy in terms of its legal services. As can be seen from the previous examples, the development of each member firm was more defined on a country by country basis." All that changed when Piet Hein Meeter, formerly CEO of Deloitte Netherlands, was appointed as Global Managing Director for Deloitte Legal in 2014, and then the next year,when Punit Renjen became Deloitte's global CEO (a role he continues to hold today).

"From that moment on, things changed significantly," Burz-Pinzaru says, and he reports that the firm's legal services arm expanded in CEE even faster than in other parts of the world. "I'd say, out of our

legal practices globally, CEE is one of the strongest. That is reflected also in the fact that we have a seat on the Global Legal Executive Committee in which the largest practices are represented. It confirms that we are definitely perceived as a top legal practice in the Deloitte Legal world."

BUILDING AN IMAGE

Developing and promoting a consistent brand is not always easy to do for a firm affiliated with Deloitte, Burz-Pinzaru admits, when the confusing subject of the firm's name in Bucharest is raised. "It's strictly a matter of bar rules," he explains, when he is asked why his business card says Reff & Associates rather than Deloitte Legal: "In some jurisdictions bar associations allow the use of Deloitte's name, while others oppose it." For instance, he says, "in Poland, using the word 'Deloitte' in the name is not an issue, while in Romania it is not allowed." Ultimately, he waves off any suggestion that this represents a major problem. "Would it be better if we could? Of course yes – but we are not stuck in it; we just move on."

But a brand is not just a name, and, especially in professional services, the work a firm executes goes a long way towards building up a reputation. Burz-Pinzaru rejects the "myth" that Big 4-affiliated firms tend to work on commoditized matters, profiting by virtue of their referral pipelines, and that, for truly sophisticated legal matters, they are not real competitors to traditional law firms. First, he insists, the nature of the referral pipeline has to be looked at. "What's the reason for a lawyer to be a part of a Big 4? Because they refer clients? Sure, but the level of referrals depends on the quality of service you can provide. The Big 4 represents the 'Magic Circle' of the tax and accounting world, so these professionals will only refer work to lawyers they perceive to be at the same professional level as they are." As a result, he says, "the simple reality is that successful legal practices within Deloitte are not successful due to Deloitte's referrals, but because they operate at a level where they build up the trust needed to be referred by Deloitte professionals."

Burz-Pinzaro continues. "Second – and this is not just a marketing talking point – we can really address client needs from multiple perspectives." According to him, "most of our lawyers have a better understanding of fiscal and financial issues than other lawyers simply by virtue of collaborating with tax professionals constantly." And this point, Burz-Pinzaru insists, impacts the way Deloitte Legal is perceived by potential hires. "We have vast resources of global knowledge at our disposal, which is very appealing to people considering joining us from other firms. For example, a lawyer to work on a blockchain matter would have to read up and research the field from various sources. In our case, a colleague from Deloitte Digital is a simple click away from access to the Deloitte Blockchain Institute as well as to the vast global network of Deloitte, the largest professional services firm in the world."

EMBRACING CHANGE (AND THE FUTURE)

"In terms of CEE we are happy with our footprint," Burz-Pinzaru says about the short- and mid-term plans of the firm. "We've grown rather spectacularly, and we are still looking to grow. When we put together our regional strategy one year and a half ago we estimated that in the next five years we'll double our size." Still, he emphasizes that the main focus continues to be on organic growth. "We're not really looking to merge with full firms, but we welcome the right people, those viewed as top lawyers in their markets who also understand the benefits of working in a Big 4 environment and are able to embrace the idea of bundled services delivery."

And Burz-Pinzaru insists the firm's goals are set high. "I mean no disrespect to the other Big 4, but the way we benchmark is relative to the legal market as a whole, not just the legal arms of Big 4s. For example, Reff and Associates has been the largest legal practice of the Big 4 by far for many years in Romania, [but] we don't believe that there's nothing else to do. That's simply not our benchmark, and while we're already ranked as a leading law firm in several practice areas, such as Real Estate, M&A, and Banking, we'll continue to aspire to develop all our practices."

Finally, Burz-Pinzaru points with pride to the several recent senior hires from "established" law firms across CEE – and claims that more can be expected soon. "I think it comes down to how we are positioned," he explains, adding, "I recently listened to a presentation arguing that people typically react based on fear. The unknown can be a large source of anxiety. Nowadays there are so many developments in different areas, which might discomfort us. That is why we need to have an attitude of open-mindedness. Where others may see the concerns raised by the unknown, we see opportunity. For example, some people believe that AI – and tech in general – may mean the end of lawyers. We don't perceive that as an area of concern. We're embracing it – everything from due diligence tools to automatization tools, and all the other real opportunities it may provide. I think it's simply something better embedded in our organization's DNA, and I am happy to see we're getting positive signs based on this perception from the legal talent we're looking to attract."

Radu Cotarcea

FACTS AND FIGURES ABOUT DELOITTE LEGAL IN CENTRAL EUROPE IN 2018*

- **Team:** 360 lawyers in 14 countries
- **Banking/Finance:** 90 transactions amounting more than EUR 1 billion
- **M&A:** 170 transactions and deals valued in aggregate at close to EUR 7 billion
- **Competition:** Advised on 17 economic concentrations & 8 competition law disputes
- **Real Estate:** 100+ major real estate and developer transactions (close to EUR 6 billion in total deal value)
- **Technology:** 17 banks and financial institutions assisted in digital transformation, PSD2, or related matters
- **GDPR:** 200 companies assisted with GDPR implementation

* source: Deloitte Legal

BENDING REALITY AND SCALING UP: MARAVELA | ASOCIATII'S FIRST FIVE YEARS

This year marks Maravela | Asociatii's fifth anniversary. To mark the occasion, we sat down with Maravela | Asociatii Partner Alina Popescu to learn more about the challenges the firm has overcome in its first five years, its successes, and its plans for the future.

CEELM: Maravela | Asociatii has now been on the market for five years now. How has that time been for you?

Alina: Hell and heaven at the same time (laughs). It was a very tough period, but full of achievements, and full of fulfillment. We feel great now after the five years because we have managed to get past the difficult period, and we can now say that we are looking at a totally different picture of ourselves and our firm. So it was a "successful bet," so to speak.

The market was – and still is – very difficult, so it's not an easy place for legal start-ups. There are various reasons for that. One, of course, is the number of lawyers, which is very high for the amount of business in Romania. And nowadays also there are more and more law firms.

Second, of course, is the ever-increasing pressure from clients on fees. You can feel this even more in Romania because clients expect Romanian law firms to bill less than law firms in other regions, and that's a reality we have to face – even though in Romania (and probably other Eastern European countries) the work can be more difficult due to the poor quality of the legislative framework and the very high amount of legislative changes. So that's another thing that makes things very difficult.

Finally, there is also a difficulty now in finding team members, because generally the overall quality of education is not as high as in other regions, so it's more difficult to find people that would be able to deliver the standard of quality that you expect.

CEELM: Do you mean in terms of *technical* quality, or in terms of business savvy?

Alina: It's both. We know the plagiarism problem. I'm not sure I want to talk about this too much (laughs), but unfortunately, it's the framework we've been working under for a while. I hope things will gradually change. We are also facing an emigration problem, because lots of smart people go to study and work abroad, and that's another difficulty. These three issues make things very difficult for a legal startup.

CEELM: Looking back at your early days, what was your biggest fear/challenge?

Alina: The biggest fear, which proved unfounded, was related to developing a client base. We worked a lot in developing a business model that would work, and of course we had to be very careful in terms of fees, quality, and client care, so those were the three aspects that we worked enormously on, and very successfully as it turned out. But the funny thing is that our biggest fear turned out not be true, because it turned out that actually building a team was, and is, much more difficult than building a client base.

CEELM: Speaking of building the team: How big is the firm now?

Alina: We're currently about 20 lawyers. But there are many challenges. The first is to get the right people in terms of work ethics, and of course knowledge. We have always been very open in sharing know-how, and we think that people who work with us will grow into very competitive professionals. But it's very difficult to find people who are smart and have the requisite legal knowledge, and at the same time have the commitment to building something. When you want to build something great, the amount of work and the disci-

pline required are very high.

CEELM: What's the next step in the Maravela story?

Alina: We are working on acquiring a more pronounced international dimension. I know this sounds very vague, but we've been discussing opening a Maravela office in a different country. This is one of the plans we're working on, of course besides the normal development plan of growing both client base and our team. We would like to reach a 40-headcount level, in terms of lawyers, and within the next five years we hope that this will become a reality. Bearing in mind the difficulty of growing a team that is able to deliver a really high standard of quality. Because it's very easy to grow your team when you have work coming in, but it's hard to find the level of people that meet your standards.

CEELM: Really? You're thinking of expanding outside Romania? Which jurisdictions are you considering?

Alina: I can't provide many details at this point, but we are looking mainly to the jurisdictions that bring lots of business to Romania.

CEELM: And is there a timeline?

Alina: We are very closely monitoring the markets right now and we expect to reach a decision on our development plan within the following year. The implementation period will of course depend on the final development strategy.

CEELM: Ok. Back to Romania. What kind of capabilities are you looking to develop?

Alina: Legal technology. Both in terms of expanding our ability to assist clients with technology-related matters – we are working on expanding our IP practice group, our Data Privacy practice group, and of course our Technology, Media, and Communications group – and in terms of developing the technological tools we can use internally to make our work for clients more efficient and streamlined.

CEELM: Is there anything else you're excited about in 2019?

Alina: Oh yes. We are actively looking to grow our International Arbitration practice, and we are already working on our first ICSID case as a law firm. It's not the first for our founding partners, of course, but it's the first for our law firm, so we hope we will have a contribution to a successful outcome. That's one other area we will be working on in terms of classical legal business development in 2019, and we hope that the political background will be better, so that we can continue to carry on business as usual, with a little help from the political side, if at all possible.

CEELM: The political side? What in particular would you like to change there?

Alina: I would like to be able to read the news without finding out that the European Parliament and the European Commission have warned Romania again on various positions and various topics that are far away from European principles and that may drive talent and businesses away, and I would very much like to

Alina Popescu

see an enhanced quality of the legislative framework. That would make our lives as lawyers much easier.

CEELM: To wrap up: If you could sum up your feelings about looking back at Maravela's first five years in one word, and your expectations for the next five years in another, what would those words be?

Alina: Summing up in one word is impossible as there are many facets and no one word is enough to describe these periods.

The past five years have been about being faithful to our values, believing in our vision, and turning this vision into reality. This took a lot of effort, courage, and resilience, as well as freedom of mind and a sense of balance. But if I had to choose a single concept, it would be "bending reality."

We do not expect the next five years to be much different. A successful business needs to be permanently evolving, developing, and reinventing itself. It continuously needs all the things mentioned above and many others. However, the scale of our business will (hopefully) be different and we expect that the already acquired business experience will help us navigate more easily. Hence, my choice for this period would be "scaling up."

David Stuckey

MARKET SNAPSHOT: ROMANIA

THE EXCITEMENT OF THE VOUCHERS DIRECTIVE AND OTHER FORMS OF ENTERTAINMENT

Theodor Artenie

The Vouchers Directive, which regulates the VAT treatment of vouchers across the EU Member States, was agreed upon by the Council of the EU in 2016, and caught the attention of Romanian authorities, tax advisors, and businesses at the end of 2017. Together with other Member States, Romania must design and enforce an appropriate legal framework to ensure the application of the Directive starting in 2019.

Now comes the hard part: making the new rules work in real life. This is still a work in progress, at least in Romania.

Who is Directly Affected by the Vouchers Directive?

The new rules will apply to every taxable person who deals with vouchers used as partial/full con-sideration for supplies of goods and services, i.e. issuers, distributors or intermediaries and re-deemers.

What is the Vouchers Directive About?

Alexandra Barbu

The Directive now defines a voucher as *"an instrument where there is an obligation to accept it as consideration or partial consideration for a supply of goods or services and where the goods or services to be supplied or the identities of their potential suppliers are either indicated on the in-strument itself or in related documentation, including the terms and conditions of use of such in-strument."*

The Directive then defines single-purpose vouchers (SPVs) and multi-purpose vouchers (MPVs) and sets rules for determining when VAT is due for each. At the moment of issuance, an SPV al-lows identification of the goods and services against which it can be redeemed, while an MPV does not. This means that SPVs allow for the application of VAT upon their issuance/sale, whereas MPVs allow for the application of VAT only upon redemption, when the VAT liability can be identi-fied.

In theory, the Vouchers Directive aims to clarify and harmonize the VAT treatment of vouchers throughout the European Union to avoid inconsistencies which in the past may have led to double taxation, non-taxation, or other complications.

In practice, it gives rise to a whole new set of practical questions to which the Romanian regulator is still contemplating the appropriate response.

The first issue is the correct qualification of a voucher into an SPV, an MPV, or another form not covered by the Voucher Directive. This is of course relevant for identifying the correct moment one is required to levy VAT.

Next is adapting ERP systems (especially POS infrastructure) to differentiate between the various types of vouchers that may be received from one's customers at any given time and then training the relevant personnel to properly input the data at the moment of sale.

The third issue refers to SPVs used for the partial settlement of the price of redeemed goods and services sold to consumers. As for VAT purposes the supply of those goods and services is split in-to two transactions (with two separate tax points), and as the existing cash register legislation does not allow this split, it is especially complicated to account for split payments using existing cash registers, ensure that VAT is not collected twice for the same goods and services, and ensure that customers who are VAT taxable persons do not claim more input VAT credit than they should.

We expect that the practical application of these new provisions will yield other issues for which the Romanian regulator will need to find solutions.

Are You Not Entertained?

Still more is on the way to keep Romanian taxpayers on their toes. The first expected development is the implementation of the profit tax group, currently not available in Romanian tax law, which we see as an important step forward. In this context, Romania will of-fer more than a low taxation system and several tax incentives and tax breaks for investors and may in fact become a holding alternative in the SEE.

Second, a major overhaul of the EU VAT system is in the works, which we expect will impact both businesses and administrations as early as 2020.

Stay tuned!

By Theodor Artenie, Managing Director Tax, and Alexandra Barbu, Senior Tax Consultant, Schoenherr Romania

MARKET SNAPSHOT: EMPLOYMENT

Alexandra Rimbu,

In the context of the ever-changing labor market general framework, in 2018 Romania took decisive steps to align its legislation with the country's economic landscape.

In the process, the Romanian legislator adopted two laws: one regarding internship and one regarding telework.

Internship

The need to regulate internship and teleworking derived from the evolution of the labor market, namely the increasing use of interns and the provision of more flexible work environments to employees.

For the time being, internship does not represent a widespread practice among Romanian employers, probably because a lack of specific regulations before this year made employers uncertain about the legal contours of such arrangements. Consequently, we believe this enactment is a significant step forward, first because interns have always represented an affordable labor force for employers, and second because internships are a valuable way for interns to gain the practical abilities and experience that employers seek when they choose to hire.

The new law provides a detailed framework for the internship program, the main rights and obligations of the parties, the valuation procedure for the interns' activities, and the content of the internship contract. When deciding to collaborate with interns, company representatives must bear in mind that the duration of an internship program cannot exceed 720 hours, spanning six months. In addition, intern activity cannot exceed 40 hours per week – 30 hours per week (6 hours per day) for those aged under 18 – and overtime, even if paid, is strictly prohibited.

The internship indemnity shall be equal to at least 50% of the minimum wage at the national level. The internship contract cannot be renewed, but it is possible to conclude an employment agreement with the former intern. In order to encourage companies to hire former interns, the law provides employers with a premium for doing so in the amount of RON 4,586 (approximately EUR 1,000) for each former intern employed for an uninterrupted period of 24 months.

Telework

Telework is a relatively new concept, developed as a result of the speed of technological advance, employers' efforts to keep employees committed, and the need of employees to maintain a healthy balance between their professional and personal lives. Thus, telework appeared as a form of organizing and/or performing work, using information technology, that could theoretically be performed at the employer's premises, but is performed away from those premises either on a regular basis, or, as per the new enactment, at least one day per month.

As a general rule, teleworkers have the same rights and obligations arising from the law, internal regulations, and their employment agreements as comparable workers carrying out their activities at company premises. However, the enactment provides specific clauses which shall be included in the relevant individual employment agreements, considering the specificity of telework.

The main concern in relation to implementing a telework system resides in security and health-related responsibilities. Thus, the employer will have to make sure that the employee receives sufficient and adequate training, depending on the place where the activity is carried out, where such place is out of the employer's control.

Telework has both pros and cons. For companies, the advantages consist in higher productivity, a significantly increased employee retention rate, reduced absenteeism, and significantly lower office-related costs. The disadvantages include the fact that supervision of and contact with the employee will not be as easy and immediate, which may in some cases lead to a lack of discipline and drive.

Although such working arrangements are not suitable/possible for all companies and (certainly) not for all job positions, for a considerable number of industry areas teleworking could potentially represent a means of achieving better economic results and having happier employees. For all these cases, the new Romanian legislation concerning teleworking is clearly a positive step forward.

By Alexandra Rimbu, Partner, Maravela | Asociatii

INSIDE OUT:

DAMEN'S TAKE-OVER OF DAEWOO SHIPBUILDING & MARINE ENGINEERING CO LTD.'S PARTICIPATION IN DAEWOO MANGALIA SHIPYARD

The Deal: In July 2018, CEE Legal Matters reported that Reff & Associates had advised Dutch shipbuilding group Damen on its take-over of Daewoo Shipbuilding & Marine Engineering Co Ltd.'s participation in Romania's Daewoo Mangalia shipyard. DSME was advised by CMS. The yard, which was renamed the Damen Shipyards Mangalia, is now operated as a joint venture with the Romanian Government, with Damen assuming operational control. We reached out to both firms for more information.

The Players:

- Counsel for Damen: Georgiana Singurel, Partner, Reff & Associates
- Counsel for Daewoo Shipbuilding & Marine Engineering Co Ltd.: Horea Popescu, Partner, CMS

CEELM: Horea, how did you and CMS become involved with Daewoo Shipbuilding & Marine Engineering Co Ltd. on this matter?

Horea: We were referred to this matter in May 2015 by the highly-regarded Korean law firm Bae, Kim and Lee, LLC, with whom we have a long-standing collaboration. It was a great opportunity to strengthen our relationship with Bae, Kim and Lee and we were happy to jump on board with them on what looked like (and in the end proved to be) a very interesting project.

CEELM: What, exactly, was the initial mandate when you were retained for this project, at the very beginning?

Horea: The client initially wanted to understand the options that were available for an exit, one of them being the sale of the Romanian business.

CEELM: How about you, Georgiana? How did you and Reff & Associates become involved with Damen?

Georgiana: Damen is a traditional client of Deloitte in the Netherlands and Romania, as well as in the other jurisdictions where it is present. Therefore, our involvement occurred in the context of our existing and trustful relationship. We started to assist Damen in the autumn of 2016 together with our colleagues from Deloitte's tax and financial teams, and our first task was the performance of the legal due diligence of the target, *i.e.* Daewoo Mangalia Healy Industry SA.

The initial mandate and first stage of our assistance on this transaction consisted of the legal due diligence exercise with respect to the target business activity and its assets.

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

Horea: As the process took more than three years to complete, I coordinated a rather large number of our lawyers from several practice areas. The most important one was the transactions team, where Senior Associate Mircea Moraru played a key role. A sensitive topic due to the potential social impact of the transaction was employment – this was coordinated by Senior Associate Marius Petroiu. The matters related to the dispute resolution and insolvency were addressed by Senior Associate Horia Draghici and Associate Andrei Cristescu, working under the coordination of our managing partner, Gabriel Sidere.

Georgiana: I decided to approach a pro-

Georgiana Singurel

ject of such complexity of by setting-up a team of lawyers specialized in M&A, commercial, real estate, competition, state aid, and employment, who were all involved from the initial phase of the due diligence exercise in the various phases or in the entire transaction process. There were approximately 12 lawyers involved in the project and in particular I would point out the contribution of Managing Associates Anca Melinte and Cezara Szakacs, both specialized on M&A, Partner Florentina Munteanu, and Managing Associate Andrea Grigoras, who dealt with employment and competition law aspects, and Partner Irina Dimitriu and Senior Associate Diana Ghintuiala, who covered the real estate aspects, and with whom I closely worked in each and every stage of the project.

After completion of the initial DD exercise led by myself (where Anca acted as coordinating managing associate) the assistance on the transaction structuring, drafting, the initial SPA and negotiation stage were conducted and coordinated by Deloitte Legal in Netherlands, our input being required on the Romanian law aspects and implications. It was a part of the project in which myself, Anca, and Andrea Grigoras were active. As the discussions progressed, Florentina and Andrea began preparing the Competition Council filling. After the signing of the share purchase agreement, the involvement of our entire team of lawyers became again intense and consisted in conducting a confirmatory due diligence, preparation of the closing steps and most of the closing documents, as well as close assistance to the client on various Romanian law issues that appeared after signing, all together in an exercise lasting approximately a year. These were aspects on which I worked particularly with Cezara Szakacs, who helped me coordinate the other team members.

As the target was a 49% state-owned company, our assistance covered the acquisition of the 51% from the Korean shareholder in all stages. However, the acquisition of a majority stake in such an entity cannot take place without discussions, an extensive approval process, and documentation to be executed in connection with the future collaboration of our client with the Romanian government. As legal advisors, we assisted in the initial phase of the process with the Romanian Government in connection with structuring the JVA between parties. However, from one point, the client envisaged consolidating its participation in the target, with the additional acquisition of 2% of the shares from the Romanian state and, in this context another Romanian law firm was involved, with our team focusing on the closing and post-closing assistance for acquisition of the 51% from the Korean shareholder.

Special note should be made as our colleagues from Deloitte Tax were continuously involved in the project. I would like to mention the contributions of Partner Tax Pieter Wessel, Director Tax Raluca Baldea, Director Silviu Sandache, and Senior Manager Ana Petrescu.

CEELM: Please describe the final agreement in as much detail as possible: How was it structured, why was it structured in that way, and what was your role in helping it get there?

Horea: The transaction structure changed several times due to the high importance of the shipbuilding yard in the economic and political contexts, from both a national and regional perspective. In the end, our client transferred its entire majority participation to the Dutch shipbuilding company Damen, which simultaneously transferred a minority shareholding to the Romanian state-owned partner – with the latter actually becoming the majority shareholder of

the target company. Most of the last six months of the transaction were actually dedicated to implementing a pre-emption right that the Romanian state had based on the privatisation agreement that was concluded in the mid-nineties, while preserving to the largest extent possible the initial concept behind the transaction.

Georgiana: The final agreement is, in a nutshell, a typical M&A share purchase agreement, whereunder our client acquired the majority stake holding of the target company, the other shareholder being the Romanian government. It was structured in two phases: initially the signing taking place between Damen and the seller, and then closing after the fulfilment of the condition precedents (of which the most important were related to the approval of the transaction by the Romanian government, setting the frame for the future cooperation of the shareholders, and having the competition council clear the deal). Although typical from the acquisition perspective between our client and the seller, entrance into a joint venture with the Romanian state is never easy and requires an extensive approval process. Add the additional acquisition of two percent and you get a feeling of the moving sands we sometimes felt that we were walking on.

During the entire almost-two-year process, I personally, together with other members of my team, kept close communication with client and provided continuous assistance in relation to the Due diligence of the target company, the Romanian law transaction matters, structure of the transaction and analysis on the implications of the cooperation with the Romanian state, and assisting with and coordinating the steps for closing. It was a process during which various and complex legal issues has appeared in all phases, that required attention from senior members of our team and assessment from different angles.

CEELM: What's the current status of the deal?

Horea: Our client completed the exit in July 2018, so from our perspective the deal has been closed. However, a significant part of the post-completion actions concerned the relationship between Damen and the Romanian state-owned shareholder, but we have no visibility on the process. It is, however, fair to assume that the partnership between the current shareholders will be a successful one and that the transaction will bring new opportunities to the shipyard.

Georgiana: The deal is closed (completed).

CEELM: What was the most challenging or frustrating part of the process?

Horea: In our experience, lengthy processes have the risk of decreasing the transactional appetite of the parties and we were worried that this would be the case in this situation as well. Another challenge came from the fact that the Romanian partner is state-owned, and due to the political changes in Romania, the decision-making process at its level was a bit more difficult. In the end, the parties were really committed to do the deal, so we think it's actually a success story where the drive to make the deal overtook all the difficulties.

Georgiana: First, the project was challenging for me from the perspective of coordinating all the streams implied by this transaction. In consideration of the long duration of the project, it was rather demanding to keep account of all details and parties for approximately two years. Keep in mind that the SPA was signed in 2017, based on a due diligence exercise performed in 2016, and therefore a confirmatory due diligence was needed after the signing. Also in 2017, discussions on the stream of cooperation with the Romanian state commenced, which took almost a year, time in which we were constantly receiving input from the other shareholder, who was focused on enhancing its protection and obtaining the best overall position in its relation with the new shareholder. It was only in 2018 that the transaction was closed.

Horea Popescu

Note should be made that in the negotiation of the cooperation with the state partner another law firm was mandated, while our assistance was limited to the closing of the transfer of shares.

CEELM: Was there any part of the process that was unusually or unexpectedly smooth?

Horea: We were happy to have the full support of one of the key stakeholders in this process: the employees. Unlike other situations, we found that the people working at the shipyard were keen to assist the transaction as much as they could and they most likely understood that the deal would actually be beneficial to them as well. I also did not expect that a process which, after all, involved three different cultures and business mentalities, would result in a successful transaction. In my view, this was largely due to the parties' being open and willing to accept and understand the other parties' cultural differences.

Georgiana: I cannot find anything unexpectedly smooth in the transaction. But, if it is something worth mentioning, I'd say that the relation with the client was faultless. Rarely you work with people so human and at the same time so professional as our contacts in Damen. This definitely raises standards, because I wanted my team to be at its best in front of the client.

CEELM: Did the final result match your

initial mandate, or did it change/transform somehow from what was initially anticipated?

Horea: I always thought that the process was going to lead to a transaction, so I think it's fair to say that in the end the mandate was in line with our initial anticipation. What I did not expect was that it would take more than three years to complete it, so in a way the mandate did change quite a bit throughout the process. Also, the Romanian state-owned partner decided quite late in the process to exercise its pre-emption right for a minority shareholding, so parties had to put significant amount of effort into finding the best solution for accommodating the effects of this right with the deal that was agreed between DSME and Damen.

Georgiana: Our initial mandate was supposed to consist in the due diligence work and Romanian law input on the transaction documents. For the transaction process a smooth closing was expected, with limited involvement of our team for Romanian law matters only. But as the complexities escaladed, our role became more and more substantial and we provided assistance continuously for almost two years. I am proud of my team for closing a deal which – in many respects and in so many moments – seamed unattainable.

CEELM: Horea, what specific individuals at DSME directed you, and how did you interact with them?

Horea: There were several persons at DSME that were highly involved throughout the process, both in Korea and locally. We found them to be excellent professionals that were dedicated to the deal despite the various setbacks and it was for us a great opportunity to be exposed to a rich, but rather different culture. We enjoyed working alongside them and a significant part of the success of this transaction has to be attributed to the DSME team. We felt that we built a close relationship with the client throughout the process and it was very interesting to me and to the other team members to see how helpful it was to be alongside persons that were totally open and committed to this process.

CEELM: What about you, Georgiana? Who did you work with at Damen?

Georgiana: I and my team received instructions and kept in close communication by all means (phone, correspondence, meetings) mainly from Emile Poot (Head of Business Development (M&A, Damen) and Saskia Michiels (Legal Counsel, Damen). Also, Frank Eggink (CFO, Damen) was involved in the essential steps of the transaction and had meetings and discussions with us on the key points. Another member of the Damen team with whom we worked on the deal was Frank Bosman (Analyst Business Development (M&A)).

CEELM: How would you describe the working relationship with Reff & Associates on the deal?

Horea: We were quite familiar with the team from Reff & Associates from several previous transactions and we maintained the same good relationship throughout this deal. Rather less typically for multi-jurisdictional transactions, we had a relatively large number of meetings and I think both parties encouraged a more personal approach, so e-mails and phone calls were almost kept to a minimum. Particularly in the final stages of the transaction there were a few weeks with several full-day meetings, but it was clear that both DSME and Damen were committed to the deal so these were more fruitful that one could expect.

CEELM: And how would you describe your relationship and interaction with CMS, Georgiana?

Georgiana: The interaction with the lawyers from CMS took place mainly during the meetings for preparation of closing and the closing meeting. In the initial phases of the transaction, the parties attended in person a number of meeting either in Seoul or in Amsterdam, the results of which were only communicated to us.

The closing of transaction was scheduled several times between signing and July 2018, and each attempted closing meeting ended up with the negotiation of documents and discussions of sometimes new and other times just unaligned matters. Basically, each closing attempt and the final closing required a few days of meetings between parties and lawyers. For the actual closing in July 2018 we had a good collaboration with CMS lawyers headed in the process by Mircea Moraru.

CEELM: How would you describe the significance of the deal to Romania?

Horea: The Mangalia shipyard is the largest one in Romania (nearly one million square meters) and it is particularly significant for the area where is located because it employs directly or indirectly most of the active force in the region. As it is suited for building and providing maintenance services to large ships, including military ships and large maritime vessels and structures, it has a high strategic importance for the Romanian state. It is also the largest of the Damen shipyards, which shows that the transaction was of particular importance to the buyer.

Georgiana: Association of the Romanian state with one of the leading builders of workboats and fast crafts in the world in a company operating the biggest shipyard in Romania, with Damen having the operation control of the shipyard, should contribute to the revitalization and relaunch of the target's activity with a positive impact on the overall economic and social environment. It secures employment for some thousands of people at a time when the future of the target was definitely under a question mark. And with Damen's enthusiasm over the new shipyard and its plans to expand production, we are sure that it brings hope for a sustainable and long-term growth of the community.

David Stuckey

EXPAT ON THE MARKET:

INTERVIEW WITH JOERG MENZER OF NOERR

Joerg Menzer is a German citizen based in Bucharest, where he coordinates Noerr's CEE practice for international clients. He specializes in M&A transactions and concentrates on structuring major foreign investments and business expansion projects in CEE.

CEELM: Run us through your background, and how you ended up in your current role with Noerr.

Joerg: I just turned 50, so don't ask me to run too fast (smiles), but I can gladly share my history. I've been with Noerr for quite a while now: 17 years. I started here in 2001, after regular studies and PhD in Nurnberg and Nottingham, and my trainee experiences in the US and Germany. My first lawyer years started in Dusseldorf in 1999, at a law firm that had very strong leading lawyers, but unfortunately doesn't exist anymore. Quite a pity actually. But two years after that I joined Noerr and moved to Munich - a decision I'm still proud of.

CEELM: When did the Bucharest office open? And when did you move there?

Joerg: The office opened in 1998. I moved here as Managing Partner three years later, in 2001.

CEELM: Was it always your goal to work abroad?

Joerg: It wasn't, actually. But I fell in love. And moved literally with all my heart and work to Bucharest. In the mean-time there is so much travel involved, that I'm somehow always "abroad."

CEELM: You fell in love? Do you mean with the city?

Joerg: Well, it takes time to fall in love with Bucharest. The city has its rough and angry parts, and the love for Bucharest comes after a certain time spent here. In fact, I met my wife, who is also a lawyer in Germany, while we were both working in the same international law firm. She originates from Romania and was the main driving force that led me here.

CEELM: Tell us briefly about your practice, and how you built it up over the years.

Joerg: If you mean the Bucharest office of Noerr, it started as a simple commercial law team with four or five people and became a highly specialized full service law firm over the years, including fiscal and financial experts, with over 55 total staff and 35-plus advisors currently. It was heavy duty at first, with nights slept and spent at the office. There were times when the PC keyboard was my pillow. Meanwhile I am responsible for all CEE offices of Noerr. The first CEE office I was asked to take care of as regional partner in charge was Budapest, followed by Prague and Bratislava. Three years ago, I also took on the responsibility of the Warsaw office. We added a whole team of 20-plus professionals and boosted our operation strongly in the last two years.

CEELM: How would clients describe your style?

Joerg: A tough question indeed. I like to believe that clients are confident in my skills, judgment, and character. As you know the claim of Noerr is: Strong characters make strong partners! This is who we are: highly professional, ethical above all, and caring for the needs of our clients beyond just simply delivering legal advice. I feel that my/our clients enjoy having a real partner who understands and cares about their business and helps them to

achieve their goals.

CEELM: There are obviously many differences between the Romanian and German judicial systems and legal markets. What idiosyncrasies or differences stand out the most?

Joerg: It might be surprising, but I feel that the differences do not rest so much on the judicial system, but more on the sophistication of its execution. German lawyers are trained to become judges – all of them. They form part of the legal system and their highest obligation is to defend the rule of law. I learned that most of the lawyer colleagues in Romania have the same spirit, but the system here as such does not allow always all participants – judges, clerks, lawyers, prosecutors and alike – to live up to these unwavering principles. Obviously, the technical outfit of the system and the degree of specialization of courts, judges, and lawyers is also not as profound as in Germany.

CEELM: How about the cultures? What differences strike you as most resonant and significant?

Joerg: One would wonder, but there are similarities. In both capitals for example – Bucharest and Berlin – many people complain about the situation. "This is wrong," or "that is missing," etc., but not everybody gets involved in changing the situation. The biggest difference is that in Germany – at the end of the day – the administration and political leadership react to public pressure and do their job. I'm missing this more and more in Romania. And it's a pity, especially since the country just turned a hundred this year.

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

Joerg: A certain potential to zoom out faster for a necessary bird's-eye view. In addition, I come with a different upbringing and education, and thus a different set of skills which I use in interacting with colleagues and clients. Also, I feel quite comfortable negotiating and intermediating in and with both cultures. This proved to benefit both me and my firm, as well as my clients in the most unexpected – sometimes even tense – situations.

CEELM: Do you have any plans to move back to Germany?

Joerg: I'm too busy at the moment to make that call yet. Unfortunately, with five countries to run and obligations on an international level – I hold some functions in international organizations like the IBA – I am already away from my home and family too much. In the long term, I guess I will enjoy my pension years around Munich (laughs), but this seems centuries away.

CEELM: Outside of Romania, which CEE country do you enjoy visiting the most, and why?

Joerg: There's a great mixture of known and unknown, familiar and unfamiliar in the cultures of Hungary, the Czech Republic, Poland, and Slovakia that always attract me. There is still an island of familiar German influence in many parts. For example, in the Czech Republic and Hungary I always feel a kindness that makes me feel very welcome. Poland impresses me with the strong dedication to moving forward and an amazing speed of development. Warsaw is a vibrant city which attracts me for business, but also great restaurants and fun people. Bratislava I enjoy for the nice old town and the closeness of cultures with Vienna, where I also spend quite some time with friends. Thus, I take my time in every country and city where Noerr has offices. I am proud to contribute to further development and I really enjoy working there.

CEELM: What's your favorite place to take visitors in Bucharest?

Joerg: Probably the Caru' cu bere restaurant. Good food – a bit noisy, but delicate and alive at the same time. Despite being a very touristy place, I always promote it as one of Bucharest's gems.

David Stuckey

EXPERTS REVIEW: TAX

"I like to pay taxes. With them, I buy civilization."

- Oliver Wendell Holmes Jr.

The subject of Experts review this time is Tax, and in its honor the articles are presented order of national personal income tax rate (as reported on the Trading Economics website on December 22, 2018).

So the article from Austria — where the tax rate is 55% (the third highest in Europe, behind only Sweden (the highest in the world, at 61.85%) and Denmark (at 55.80%)) — comes first, and the article from Romania, where the rate is only 10% (the second lowest in Europe, above only Montenegro (9%)), comes last.

By way of comparison, the average personal income tax rate in the Euro zone countries is 41.50%, and it's 38.60% in the European Union.

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AUSTRIA

Introducing "Horizontal Monitoring" in Austria

Christoph Urtz

A specific form of cooperation was introduced in Austria in 2018 and will become effective on January 1, 2019: Upon the taxpayer's request, an enterprise may opt for a "horizontal monitoring" procedure. This new law was introduced after a pilot project in which internationally renowned enterprises such as Red Bull, Shell Austria, and Infineon Technologies participated (although whether these enterprises will also participate in the new "horizontal monitoring" procedure is not yet known).

The Austrian Commercial Code defines which enterprises are eligible for and hence may apply for the horizontal monitoring procedure. Participation in the horizontal monitoring procedure is only available upon request and under certain conditions.

On the one hand, the law requires "hard" conditions, which must be fulfilled in all cases: The participating enterprise has to have generated annual gross sales exceeding EUR 40 million in the two years before the request (exceptions exist for banks and insurance companies), and the taxpayer running the enterprise has to be credible under tax aspects (i.e., the taxpayer cannot have been sentenced for a tax crime in the five years before the request). Finally, "a tax control system" needs to be established (details are governed by a directive from the Federal Ministry of Finance).

In addition, "soft" conditions apply as well, which are only exemplified in the law. As a result, tax authorities have some discretion to decide whether a request for participation in the horizontal monitoring procedure will be rejected or not, although in practice tax authorities will reject a request if the taxpayer does not predominantly fulfill them.

The decision-making procedure whether an applying enterprise shall be admitted to the horizontal monitoring procedure is as follows: First, the tax office decides and announces – by issuing a decree – whether the applying taxpayer fulfills the "hard" conditions mentioned above. Second, a tax audit covering the last five years before the request is required (see below for details). Third, the compliance of the taxpayer with the "soft" conditions is evaluated. If the tax office decides to admit the taxpayer to the horizontal monitoring procedure, a second decree will be issued.

The "soft" conditions described in Sec. 153c para 4 of the Federal Fiscal Code refer to the taxpayer's "behavior" (in the tax context) in the five years before the request, including: (a) the taxpayer's compliance with his/her obligations to comprehensively disclose facts and circumstances in his/her tax return(s); (b) the number of tax returns filed behind schedule; (c) the number of tax evaluations necessitated by incorrect/incomplete tax returns; (d) the number of defaults, and the amount of any default payments to tax authorities, as well as the period of default; (e) the number of applications to extend tax payments (or to pay in installments); (f) whether fiscal criminal proceedings are pending; (g) finally, the taxpayer's behavior and the findings in the tax audit required prior to the initiation of the horizontal monitoring.

As already mentioned, a tax audit is required before participating. This tax audit serves the purposes of enhancing the taxpayer's credibility under tax aspects. Further, the tax audit prevents the existence of years being unaudited before the beginning of the horizontal monitoring procedure. The taxpayer's behavior and the findings in the audit are, as mentioned above, "soft" conditions influencing the tax authority's decision whether to let the taxpayer participate in the horizontal monitoring or not.

Participation in horizontal monitoring allows auditors to be present at the enterprise's premises on a day-to-day basis in order to discuss tax issues with the taxpayer and answer his/her questions, with the auditor's answers/statements to a certain extent legally binding. This offers the taxpayer a certain degree of protection under a "bona fide" aspect. In return, the taxpayer has an enhanced obligation to cooperate with the auditors.

In addition, participation in the horizontal monitoring procedure precludes ordinary tax audits. In other words, the taxpayer – who is monitored anyway – is exempt from tax audits going forward (although, as mentioned above, a tax audit covering the last five years before the request is required).

Whether taxpayers will accept the horizontal monitoring procedure is hard to predict: It has been criticized on the grounds that the procedure is open only for enterprises of a certain size and only to taxpayers who are already "model students" for tax purposes anyway.

Christoph Urtz, Partner, Baker McKenzie Vienna

SLOVENIA

Cryptocurrency Tax Regime in Slovenia

Uros Cop

As in almost all other jurisdictions, in Slovenia there are no cryptocurrency-specific tax laws. In order to shed light on the tax treatment of the cryptocurrency in Slovenia, in June 2018 the Financial Administration of the Republic of Slovenia (FURS) issued the extended and updated Guidelines on Tax Treatment of Cryptocurrencies in Slovenia (the "Guidelines").

Slovenia's tax treatment of private individuals is regulated by the Personal Income Tax Act (ZDoh-2). According to the Guidelines, individuals are taxed significantly differently by FURS depending on whether they obtained income within or outside the scope of their business activities.

If an individual obtains income from trading or mining of cryptocurrencies in the scope of permanent, independent, and individual business activity, the income is considered "personal business income" under ZDoh-2. The tax base is determined as the difference between revenue and costs and is subject to progressive tax rate of up to 50%. Under certain conditions, personal business income may be determined on the basis of lump-sum costs accounting for 80% of the income and subject to a 20% tax rate.

Capital gains obtained by disposing movable property outside of the permanent business activity are exempt from taxation under Article 32 of ZDoh-2. As FURS considers cryptocurrencies to be movable property, any gains obtained by trading cryptocurrencies are free from taxation, provided that they were obtained outside the scope of permanent business activity.

Mining and similar confirming of cryptocurrency transactions is considered "other income" under Article 105 of ZDoh-2, provided that the income was obtained outside the scope of permanent business activity. The tax base is the entire value of cryptocurrencies obtained by mining, calculated according to the price at the time of acquiring. Costs incurred by mining are not deducted from the tax base. The resulting gain is subject to a progressive tax rate of up to 50% and an advance flat tax rate of 25% for residents.

Zan Klobasa

Gratuitous obtaining of cryptographic tokens by individuals from the issuer during an initial coin offering is subject to different types of tax regimes depending on the nature of the transaction. If tokens are gratuitously distributed to a holder of more than 25% of the business share in the issuer, the flat tax rate is 25%. If tokens are received in relation to employment or other contractual relationship for performing services, the income is subject to a progressive tax rate of up to 50% and an advance flat tax rate of 25% for residents. Social contributions must also be paid. All other cases are subject to a progressive tax rate of up to 50% and an advance flat tax rate of 25% for residents under Article 105 of ZDoh-2. The tax base is calculated according to either the white paper price or the market price, depending on whether the token is already publicly traded.

The tax base for corporate tax is the surplus of revenue over expenses as laid down by the Corporate Income Tax Act (ZDDPO-2). Therefore, all cryptocurrency-related activities which create revenue for a company are subject to corporate tax if a surplus over recognized expenses exists. The corporate income tax rate is 19%.

The service of exchanging fiat currencies into cryptocurrencies and vice-versa is exempt from the value-added tax (VAT) under Article 44(4d) of the Value-Added Tax Act (ZDDV-1). Provision of electronic wallet services is considered a close relation to the exchange of cryptocurrencies and is therefore also subject to this exemption. On the other hand, providing services in connection to peer-to-peer trading, such as online platforms for combining buyers and sellers, is subject to VAT at a 22% rate, as it is not sufficiently linked to the exchange itself. If utility cryptographic tokens are used for the payment of services, they are considered means of payment, and such transactions are subject to VAT.

According to FURS, mining of cryptocurrencies is not subject to VAT, as there are no specific customers, the miners are only rewarded on a voluntary basis, and their remuneration is not guaranteed. Accordingly, a company does not have the right to deduct the purchase of mining hardware and software from VAT.

While the current application of tax laws appears quite favorable for individuals trading in their private sphere, it is possible that the regime will be subject to change, as cryptocurrencies are a relative novelty and FURS is actively learning on the subject, whereas standards of international practice will likely impact the future treatment of cryptocurrencies by FURS.

Uros Cop, Managing Partner, and Zan Klobasa, Legal Clerk, Miro Senica & Attorneys

CROATIA

Croatia Prepares for Application of Multilateral Instrument


Tamara Jelic-Kazic


Maja Marcelic

International taxation is rapidly changing and aligning with recommendations of the Project for the Prevention of Base Erosion and Profit Shifting (BEPS).

BEPS, which identified 15 actions aimed at preventing aggressive tax planning, tax fraud, and tax evasion, is the answer to tax evasion strategies that exploit gaps and mismatches in taxation rules in order to shift profits to jurisdictions with low or no tax burden. The BEPS Action Plan was originally developed by the OECD Committee and endorsed by the G20 countries. Croatia joined in later and became a member of the Inclusive Framework on BEPS in 2016.

Action 15 refers to the development of a multilateral instrument that would intervene in more than 1,200 tax treaties worldwide. So far, more than 80 countries have concluded negotiations and signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "Multilateral Instrument" or MLI).

MLI is a precedent in the field of international taxation, as it enables interested countries to update their tax treaties by applying one international agreement based on international standards.

The Croatian government brought a decision to initiate the procedure for concluding the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting in June 2017.

The MLI's Objective

The MLI's objective is to simplify and speed up the implementation of BEPS measures in tax treaties. The MLI includes, inter alia, provisions on "pass-through" entities (i.e., "fiscally transparent entities"), dual resident entities, dividend transfer transactions, capital gains from the alienation of shares in real estate companies, artificial avoidance of permanent establishment status through commissionaire arrangements, and similar strategies or specific exempt activities, division of contracts, related persons, etc.

Croatia has signed, but has not yet ratified the MLI. At the signing on 7 June 2017, Croatia indicated all bilateral tax treaties and presented the status of list of reservations and notifications. Currently, Croatia will apply the MLI to 41 out of 62 tax treaties.

Entry into Effect

For withholding taxes, Croatia will apply the MLI from the first day of the calendar year which follows the year in which the MLI enters into force in the country that ratifies the MLI later.

For other taxes, Croatia has chosen that the MLI will become effective for taxes levied with respect to taxable periods beginning on or after 1 January of the next year beginning on or after the expiration of a period of six calendar months from the date when MLI enters into force in the country that ratifies the MLI later.

How?

The OECD has published a tool and databases to facilitate the analysis of the MLI. It is expected that the tool will be expanded and refined over the next couple of years.

Although the MLI is imagined as a simple and fast intervention in tax treaties, its application will be complex, and taxpayers will have to perform several tests in order to assess whether and to what extent the MLI affects a specific tax treaty. First, it needs to be verified whether the MLI has entered into force in both countries that are parties to a particular tax treaty. It also needs to be verified if both countries have covered the specific tax treaty. If the answer to both is yes, then it needs to be determined which notifications and reservations apply to it and when the MLI will have an effect. Navigation through databases will be a must until the consolidated versions of treaties are prepared. Note that for most countries there is no legal requirement to prepare such consolidated versions, so using the OECD tool and databases alongside treaties may be permanent.

Let's see how the MLI application affects Croatian tax treaties through an example. A French and an Austrian company are expanding their businesses to Croatia and have the same business plan. They both sign their own agent contract, according to which the agent finds buyers and negotiates the terms, but does not enter into contracts on behalf of the French or the Austrian company. All contracts are signed by representatives of the French and the Austrian companies, although these representatives do not materially change the buyer contracts.

France and Croatia agree that the MLI's provisions will replace the existing provisions in the tax treaty, while Austria and Croatia agree not to change the existing provisions. Due to this difference, the agent of the French company will create a PE of the French company in Croatia, while the agent of the Austrian company will not create a PE of the Austrian company in Croatia.

As a result, Croatia will have the right to tax only the profits made by the French company in Croatia.

Tamara Jelic-Kazic, Partner, and Maja Marcelic, Consultant, CMS Zagreb

TURKEY

Tax Liability of Non-Resident Electronic Service Suppliers?


Done Yalcin

Pursuant to an amendment to the Turkish Value Added Tax Law at the beginning of 2018, non-resident electronic service suppliers are now liable for Value Added Tax on services provided electronically to Turkish individuals who are not VAT taxpayers.

As a result of this move by the Turkish tax authorities, digital businesses with a global reach are obliged to apply, collect, and remit VAT on their supplies to individual Turkish customers. The main objective of this new legislation is to secure VAT income from services provided in Turkey by non-resident e-service providers through the Internet.

Targets of the New Law

E-service providers who do not have a registered address or business headquarters in Turkey and who provide e-services through the Internet or an electronic network to Turkish individuals who are not VAT taxpayers are the main target of this legislation.

This regulation only applies to Business to Consumer (B2C) transactions, and not Business to Business (B2B). This means that making even the merest supply necessitates registration.

B2B e-services still fall under the scope of VAT through the reverse charge method, but registration is not required for non-resident e-service providers. Having said that, the lack of a B2B validation system adds real-time complexity when attempting to distinguish between private customers and businesses.

VAT Rate

The VAT rate for e-services provided through the Internet depends on the type of service. In Turkey, the standard VAT rate is 18%, while reduced rates are 1% (*e.g.* for newspapers and magazines and basic foodstuffs) and 8% (*e.g.*, for e-books, pharmaceuticals, and medical products).

Scope of E-Services

Although the final version of the new legislation does not specify the services that fall under the scope of the amended VAT rules, the list below, which was included in the draft communique of the law, may be helpful in understanding what the Ministry of Finance means by e-services: (i) the supply of a website or webpage, domain name, web hosting, or other services related to a website or webpage; (ii) Remote maintenance of computer software and equipment and remote system management and online data storage services; (iii) the sale of software and all digitalized products including accessing, downloading, and updating (including products such as antivirus programs, ad blocker programs, device drivers, and filters relating to websites and firewalls); (iv) the supply of images, texts, and information as well as the preparation of databases and similar services; (v) the supply of remote teaching; (vi) radio and TV broadcasting services; (vi) other services supplied via the Internet or other electronic networks that are of a similar nature to the above-mentioned services. Of course, the fact that a catalogue of specific e-services which trigger VAT obligations is missing from the law will cause uncertainty and complexity for affected non-resident e-service providers.


Taylan Baykut

Role of Intermediaries

In cases where an e-service provider who provides e-services is unknown or not explicitly stated, VAT liability is shifted and the intermediaries who are authorized to request payment from or set the general terms and conditions of the service or who are liable for supplying these services will be liable for the declaration and payment of the VAT.

Registration and Declaration Procedure

In order to be able to fulfill the VAT requirement, non-resident e-service providers are required to initially register themselves as "special taxpayers" by filling out the relevant form designed for the non-resident e-service providers, which is available on the Revenue Administration's website. The acceptance and the approval of this form will qualify as "Special VAT Registration for Electronic Service Providers" for non-resident e-service providers. VAT arising from e-services being provided to Turkish individuals who are not VAT taxpayers will then be declared electronically by the non-resident e-service providers. VAT returns need not be filed for reporting periods in which no transactions occur.

VAT Deduction

Non-resident taxpayers who use e-services are allowed to deduct VAT from VAT payable if services and goods are obtained from those who are liable for VAT in Turkey and VAT is shown on the invoices and similar documents, provided that VAT is related to the declared services under the special VAT liability of non-resident taxpayers for e-services.

Bookkeeping Requirements

Foreign enterprises registered under this mechanism are not under any obligation to keep VAT records. However, they are required to keep documentation of the input VAT they incur and deduct from their VAT liability.

Done Yalcin, Managing Partner, and Taylan Baykut, Tax Counsel, CMS Turkey

POLAND

New Transfer Pricing Regulations in Poland

Karolina Stawowska

Simplifications for Taxpayers in Exchange for Effective Tools for Examining and Estimating Income in Intra-Group Transactions

A significant amendment to the Corporate Income Tax and Personal Income Tax laws in Poland will come into force on January 1, 2019, which will bring rules related to transfer pricing in line with updated OECD guidelines and the Base Erosion and Profit Shifting (BEPS) action plan.

The new regulations introduce simplifications in some areas, including: (i) the obligation for transfer pricing (TP) documentation in domestic transactions will be limited to cases in which one or both related counterparties reports a tax loss or one of both counterparties benefit from income tax exemptions; (ii) value thresholds that trigger the requirement to prepare TP documentation are to be significantly increased and will depend only on the nature of the transaction rather than on the amount of revenues or costs of the entity performing the transaction; and (iii) the obligation to prepare a master file will depend on a consolidated revenue threshold and this file may be prepared and kept in English so that a translation would only be required upon written request of the tax authorities.

Other regulations which may be beneficial for taxpayers, such as "safe harbors," will also be implemented. Under certain conditions, in relation to low value added services or intercompany loans with principal amounts up to PLN 20 million (approximately EUR 4.8 million), the tax authorities will not be entitled to assess income in intercompany transactions. The corresponding adjustment mechanism that has been used in relation to cross-border transactions will also be applicable to domestic intercompany transactions.

However, not all changes are as beneficial to taxpayers as those described above. New rules provide the tax authorities with tools for better control of, and reaction to, profit shifting. The tax authorities will have the ability to reclassify the nature of an intercompany transaction if they discover during a tax audit or fiscal control that the transaction realized between related parties is not in line with the market standard. Moreover, if the tax authorities recognize that none of the TP methods listed and described by the Corporate Income Tax law apply to the audited transaction they will have the right to use another method to estimate income, even if this method is not regulated by provisions of law. Considering the current approach of the tax authorities during fiscal controls, we cannot exclude the possibility that the above regulations will give *carte blanche* to the tax authorities to be aggressive in reclassification and employing "open TP method" mechanisms regardless of the OECD guidelines and common practices in transfer pricing.

Izabela Wiewiorka

The introduction of the "safe harbors" concept for low value-added services will simplify intra-group settlements, in particular, in the areas of accounting, HR, and IT. However, these types of intercompany charges are limited under the CIT law as tax deductible costs up to the annual amount of the higher of either: 5% of taxable EBITDA generated by the taxpayer *or* a value amount of PLN 3 million (approximately EUR 720,000). This limitation does not apply if the taxpayer has an Advanced Pricing Agreement (APA) with the tax authorities with respect to such services. Since obtaining an APA can be time consuming and costly, in the middle of 2018 the concept of a simplified APA was discussed with the tax authorities in relation to low value added services. However, further development on this concept has ceased. It may be the case that the concept of a "simplified APA" has been replaced by the "safe harbor" solution.

Over the last two years, tax reporting in Poland has become increasingly automated and now certain tax and accounting evidence, financial statements, and tax returns must be sent to the tax authorities in an electronic format or kept in XML format for tax control purposes (called "Simplified Audit Files for Tax"). The soon-to-be introduced amendments also introduce an additional reporting requirement for sending Transfer Pricing information in an electronic format. The purpose of this change is to equip the tax authorities with data for transfer pricing analysis and benchmarks, as well as for selection of taxpayers for further fiscal controls or audits.

In summary, while the regulations taking effect January 1, 2019 systematize transfer pricing and simplify the TP documentation requirements, they also give the tax authorities additional tools for combating profit shifting in intercompany transactions.

Izabela Wiewiorka, Consultant, and Karolina Stawowska, Partner, Wolf Theiss Warsaw

SLOVAKIA

The Slovak Tax Tiger Succumbs to Political Populism – Retail Chains Levy Likely

Radovan Pala

In its December session the Slovak parliament will decide whether to adopt a sectoral tax in the form of a 2.5% levy on net quarterly turnover of retail chains (the "retail chains levy"). The official purpose of the bill under consideration is to reach the strategic goal of food self-sufficiency, to finance the creation of mechanisms supporting Slovakia's agricultural production and food industry, and to weaken the allegedly dominant position of large retail chains as regards their profits. The annual yield of the new tax is estimated at approximately EUR 150 million – a figure on which the Ministry of Finance relied in calculating its state budget for 2019.

The new regulation – nicknamed the "tax on food" – quickly drew fierce criticism as discriminatory, arbitrary, market-distorting, and violating expectations of equal treatment. Nonetheless, the government coalition insists on moving forward with it, making its introduction on January 1, 2019 likely. It is regrettable that Slovakia, once known for its simple and investor-friendly "flat tax" system, is now steering towards discriminatory sectoral tax solutions aimed particularly at foreign investors. Similar retail taxes were introduced in Hungary and Poland in recent years but were either watered down or never collected due to the violation of EU rules and the opposition of the European Commission.

The Slovak bill was not introduced by the government but by a group of deputies from a junior coalition party – the Slovak National Party – allowing its supporters to circumvent the interdepartmental review and expert debate process. Politicians backing the draft bill are openly declaring that the retail chain tax is targeted at the largest foreign-owned chains, which allegedly harm the interests of Slovak farmers and food producers. And in order to defend the bill, various unfounded accusations have been put forward, such as massive tax avoidance, chicanery of employees, abuse of dominant positions, and liquidation of small retailers. It is not clear how the new retail chains tax can remedy this alleged misconduct.

Jan Lazur

For the purposes of the levy, a retail chain is a group of shops operated under the same brand or by the same owner(s) and having a common design and marketing strategy in at least two Slovakian districts. It has also been proposed that at least 10% of their net turnover must be generated from the sale of food products. However, the tax is to be levied on the whole net turnover of retail chains, regardless of whether that turnover is generated from the sale of food or other retail products. This would mean that the largest drugstore markets fall under the scope of the retail chain tax as well. Having their entire turnover taxed would naturally lead to a far-reaching distortion of the drugstore products retail market. Due to this, an amendment increasing the threshold to a 25% food products turnover has been announced.

The original draft bill has been construed to exempt small retailers and to catch all large supermarkets, including chains owned by Slovak entrepreneurs. The amount of the tax rate (2.5% of turnover) has not been justified by any economic analysis, and it has become clear that most retail chains operators (particularly Slovak ones) would not be able to withstand its effect. Based on the ongoing discussion in parliament, it seems that the final version will go even further down the discrimination line by exempting all food retailers except the largest market players, owned mainly by foreign companies.

Following our analysis, in our view the proposed retail chains tax will not only violate EU rules banning discrimination and state aid but – taking into account case law of the Slovak Constitutional Court – will also clearly be unconstitutional. At the very least, it breaches the constitutional principle prohibiting discrimination in the right to own property. Of course, Slovakia has the right to decide on its taxation system or on the objective of different taxes, which to some extent legitimately interfere with the right to own property. However, taxes cannot be set in a discriminatory manner and without reasonable justification. Moreover, the new tax may have suffocating effects resulting in market distortion and market exits. And if the scope of the retail chain tax were to be further narrowed in order to leave out medium-sized Slovak chains, it would most probably not comply with EU state aid rules. Thus, if the retail chains tax is introduced, it will almost certainly be challenged before the Slovak Constitutional Court, which may freeze its effect until deciding on its constitutionality.

Radovan Pala, Managing Partner, and Jan Lazur, Partner, Taylor Wessing Bratislava

CZECH REPUBLIC

What do the Tax Authorities Learn? Automatic Exchange of Information in 2018

Rostislav Frelich

With the world becoming increasingly globalized, it is easier for taxpayers to make, hold, and manage investments outside their countries of residence. Vast amounts of money are kept offshore and untaxed, to the extent that taxpayers fail to comply with the tax duties of their home jurisdictions. Co-operation among tax authorities is critical in the fight against tax evasion.

In this article, we summarize the basic principles of exchange of information in the field of taxation. We do not list all of the kinds of information exchanged nor do we comment on individual legal sources such as EU Directives, Tax Information Exchange Agreements (TIEA), double tax treaties, multilateral conventions, and local law.

Automatic Exchange of Information (AEOI) is a term used to describe a range of agreements tax authorities across the world have entered into to exchange data automatically. AEOI allows for the exchange of data regarding non-resident taxpayers with the tax authorities in the taxpayers' countries of residence. Participating jurisdictions send and receive information automatically, mostly on an annual basis.

Although the original EU Directive on Administrative Cooperation in the Field of Taxation (DAC1) and several bilateral agreements allowed for the automatic exchange of information declared in tax returns, the number of participating countries is limited. The amended DAC2, together with global OECD standards (GATCA), were inspired by the US Foreign Account Tax Compliance Act (FATCA). The framework of the OECD's Multilateral Competent Authority Agreement (MCAA) on the Automatic Exchange of Financial Account Information allows for exchange of information in a standard electronic format – the Common Reporting Standard (CRS). As with the FATCA, the CRS model imposes duties on financial institutions to identify reportable accounts and to obtain the information on the account holder required to be reported for such accounts to their local tax authorities. This avoids the need to conclude multiple bilateral agreements. The information on the account holder, capital gains, account balances, and income from the sale of financial instruments is reported. Data was exchanged for the first time in 2017 for 2016, with 54 countries participating. In 2018, 104 jurisdictions, including many "tax havens," participate.

It works simply. For example, in the British Virgin Islands, if a bank account is owned by a Czech tax resident, the BVI bank reports to the BVI tax authorities and they share the data with the Czech tax authorities. The Czech authorities are informed of the Czech tax resident´s accounts and income, and can easily verify his/her Czech income tax returns. The same applies, in reverse, in cases where Czech accounts or passive entities are owned by foreign tax residents.

Based on the DAC3, information about cross-border tax rulings and advance pricing arrangements are exchanged.

Based on the DAC4, MCAA, and other treaties, 57 countries participate in Country by Country Reporting (CbC) according to BEPS Action 13. Multinational groups with an annual consolidated turnover exceeding EUR 750 million are required to prepare a CbC report. On an annual basis, the CbC report provides the tax authorities with information on revenues generated with related parties, profits, income tax paid, retained earnings (accumulated losses), number of employees, and net book value of tangible assets in all of the jurisdictions in which the MNE Group operates.

Based on the DAC5, selected information on beneficial owners is collected pursuant to the AML Directive and accessed by tax authorities.

The DAC6 focuses on intermediaries such as tax advisors, accountants, and lawyers who propose or recommend tax planning arrangements. These intermediaries will have to report arrangements that may be aggressive.

The DAC7 … well … is expected to come soon.

The spontaneous exchange of information (*i.e.*, the passing on of information obtained during examination of a taxpayer's affairs or otherwise, which might be of interest to the receiving state) or exchange of information on demand (the oldest type of information exchange among tax authorities) were slow, ineffective, and did not keep pace with the world of the 21st century. Computerized data processing is the key to effective cooperation. The automatic exchange of information on financial accounts with 104 participating jurisdictions is revolutionary. Reporting financial institutions, taxpayers, and tax lawyers face a significant challenge. The automatic exchange of information about various kinds of taxpayers provides tax authorities with a huge amount of data and additional effective tools for reviewing tax compliance.

Rostislav Frelich, Leader of Tax Desk, Peterka & Partners

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HUNGARY

Recent Changes in Corporate Income Taxation in Hungary

The 2019 Hungarian tax law changes, among other measures, have introduced a new group taxation regime and reflect the implementation of the provisions set out in the European Union's Anti-Tax Avoidance Directive (ATAD).

Group Taxation


Janos Pasztor

According to the new rules, group taxation can be opted for by two or more entities subject to corporate income tax in Hungary provided that one of the entities directly or indirectly holds at least 75% of the voting rights in the other group company, or the same person directly or indirectly holds at least 75% of the voting rights in each group company.

The tax base of the group consists of the positive tax bases of its members. In contrast to current Hungarian tax legislation, which does not allow a taxpayer to utilize losses carried forward by another taxpayer, the negative tax bases of the group members may, subject to certain limitations, be utilized to decrease the tax base of the group in the tax year and the subsequent five years.

Group taxation may substantially reduce the administrative burden stemming from transfer pricing obligations (*e.g.*, preparing transfer pricing documentation and adjusting the tax bases) since the group members do not need to comply with these obligations in respect of transactions effected between them.

In order to elect group taxation in 2019, a declaration thereon should be submitted to the Hungarian tax authority by January 15, 2019.

ATAD Implementation

Hungary has also complied with its obligation to implement the ATAD measures which seek to combat profit shifting and the erosion of the tax base by January 1, 2019. Accordingly, the GAAR provisions and the rules on controlled foreign companies have been amended, and the thin capitalization rules have undergone a major overhaul. Some of these modifications – the most important features of which we summarize below – may raise tax compliance issues, so taxpayers to whom they apply should carefully consider their effects.

First, the general anti-abuse rule has been extended to cover a series of arrangements made with a purpose contrary to the object or purpose of the applicable tax law which is not substantiated by a genuine business or commercial reason.

Second, the rules on controlled foreign companies have been amended significantly. Under the new regime, a foreign entity may avoid qualifying as a controlled foreign company if it draws income only from genuine arrangements (as defined in the legislation) in the tax year. CFC status can also be avoided if the foreign entity's pre-tax profits do not exceed HUF 244 million and its passive income does not exceed HUF 24 million profit or its pre-tax profits do not exceed 10% of its operating costs, provided, in both cases, that additional conditions are met. In case of a Double Tax Convention between Hungary and a non-EEA country that exempts the income attributable to a permanent establishment located in this latter from taxation in Hungary, then such a permanent establishment will not qualify as a controlled foreign company.

The thin capitalization rules have also been set on a new footing. The bottom line of the thin capitalization provisions in force as of the date of this article is that the interest paid on debts in excess of the debt to equity ratio of 3:1 cannot be deducted for tax purposes, but this rule is not applicable to liabilities towards financial institutions, *i.e.*, the amount of such liabilities should not be taken into consideration when calculating the amount of debt for thin capitalization purposes. However, the new rules follow a different logic when imposing the following limitation on the deductibility of interest expenses. The exceeding financing costs, *i.e.*, the amount by which the taxpayer's financing expenses incurred for business purposes – including payments on liabilities towards financial institutions – exceed its taxable interest income may be deducted from the tax base up to the higher of the following amounts: 30% of EBITDA or HUF 940 million (approximately EUR 3 million). The difference of 30% of the EBITDA and the exceeding financing costs which may not be deducted in the tax year can be carried forward, *i.e.*, the amount can be used to decrease the taxable amount of the excess financing costs in subsequent tax years.

The Hungarian government expects that the above tax law changes will substantially boost the competitiveness of the taxpayers by rendering corporate income taxation more flexible (*e.g.*, the utilization of losses) and reduce the tax compliance burden (*e.g.*, the elimination of the transfer pricing compliance obligation) while restricting possibilities for tax avoidance.

Janos Pasztor, Head of Tax, Wolf Theiss Budapest

LITHUANIA

Lithuanian Tax Reform 2019: Focus on Anti-Avoidance Measures

In 2019, the Lithuanian tax system will see significant changes, designed to reform personal taxation laws and tackle the shadow economy. These amendments have already been approved by the Lithuanian Parliament and will become effective at the start of the year.

Aleksandr Masaliov

In a nutshell, the tax reforms reflect an overall shift of the labor-related tax burden from employers to employees. The underlying idea behind the changes is to eliminate the current split of social security contributions between employees and employers and thereby eradicate any enticement for under-the-table payments. As a result, the employer's share of the social security taxes will drop significantly, from the current 31.18% to 1.79% in 2019, while the employee's share of the social security contributions will increase to 19.5%, as compared to the present rates of 9% or 11%. In addition, the personal income tax will increase 5% to 20%; however, the rate of 27% will be applicable to income exceeding approximately EUR 8,900 in 2019.

To compensate employees for the increase in social security taxes, all gross salaries will be subject to an automatic lift by 28.9% as of January 1, 2019. Hence the consolidation of social security contributions on the employee's side will not create a higher tax burden for employed individuals.

Additionally, the tax reform package includes a number of other specific anti-avoidance measures.

Minimum Reliability Criteria for Taxpayers

The amendments put forward minimum reliability criteria for companies and natural persons engaged in individual entrepreneurship. To satisfy these reliability criteria, taxpayers must have no record of previous penalties for: (i) tax-related violations resulting in unreported taxes exceeding EUR 15,000; (ii) illegal employment; (iii) certain administrative infringements; or (iv) criminal conviction for economic crime.

Non-compliance with the criteria will disqualify taxpayers from public procurement tenders and official lists of charity and donation recipients. Such taxpayers will be subject to longer statutory limitation periods (five years, instead of three). Furthermore, non-reliable taxpayers will face negative publicity, since they will be included on a list made available to the public.

Increased Penalties

Although the general penalty range (from 10% to 50% of unpaid taxes) for violating an obligation to report and pay taxes remains unchanged, certain tax infringements will be subject to larger fines.

In the event of a tax investigation where taxpayers are not able to justify sources of their income, penalties can reach 100% of unpaid tax amount. Repeated tax violations identified during the same three-year period will be subject to double fine amounts.

New Statutory Limitation Period for Collecting Taxes

The current five-year limitation period for the Tax Authorities to collect taxes will be replaced by a shorter three-year period. However, the five-year term will remain applicable in a number of cases. For instance, individual tax payers will be subject to a five-year limitation period for collection of personal income tax. So-called unreliable tax payers will not be able to benefit from the shorter limitation period either. The three-year limitation period will not apply where the tax collection is based on automatic information exchange procedure.

New General Deductions From Income

Since motor vehicle repair services as well as child care services and renovation of residential premises are often associated in Lithuania with the shadow economy, the tax reform amendments envisage new types of general deductions to reduce off-the-book transactions.

Individual taxpayers will be able to deduct these types of expenses from their taxable income, provided the services are rendered by a registered Lithuanian taxpayer. The deductions in question are capped at EUR 2,000 which is the aggregate limit for all the three types of deductible expenses. Moreover, the deductible amounts cannot exceed 25% of annual income.

Tax Amnesty

Last but not the least, the tax reform amendments provide for a tax amnesty to be applicable from January 1, 2019, until July 1, 2019. Therefore, all taxpayers will be able to declare their unreported income and pay relevant taxes and will be released from any penalty or fine on overdue tax liabilities. Taxpayers are also entitled under the amnesty rules to request a two-year payment plan allowing them to settle overdue tax liabilities by instalments.

Aleksandr Masaliov, Head of Labor and Immigration, CEE Attorneys, Lithuania

SERBIA

The Winter Metamorphosis of Serbia's Tax System

Ivana Blagojevic

The beginning of 2019 will mark the start of a major transformation of the Serbian tax system, bringing new and exciting opportunities for companies who do business or wish to invest in Serbia, but also bringing potential challenges concerning the practical application of new tax rules.

In December 2018, the Serbian Parliament adopted numerous amendments to the country's tax and mandatory social security contribution laws, as well as enacting a new law that will systematically regulate many parafiscal levies.

The main driver behind most of the changes, which will go into force on January 1, 2019, is providing a more business-friendly environment to companies and investors, a significant boost to start-ups, the IT sector, and the digital economy, and a higher level of legal certainty in the area of taxation. At the same time, provisions of the Multilateral Convention to Implement Tax Treaty Related Measures to BEPS (the MLI) will finally start to apply in practice, modifying the provisions of the double tax treaties between Serbia and some countries.

As for the specific major changes, in addition to simplifying the tax depreciation rules, expenses for marketing and promotion will for the first time be fully recognized as expenditures for tax purposes. This measure will give a big boost to retail and other industries that rely heavily on marketing and promotion to sell their products and services. Moreover, expenses for research and development (except with respect to oil, gas, and mineral resources) will be doubled for tax purposes. This will not only provide a major incentive to all the industries where research and development are essential to conducting and growing the business, but is also expected to motivate other companies to invest in research and development in their respective industries.

Nebojsa Pejin

When it comes to registered IP rights, companies will be able to exempt 80% of income realized from royalties, licensing fees, and capital gains income realized from the sale of IP rights from their corporate income tax base. Also, under certain conditions, investors will be able to obtain a 30% corporate income tax credit for investments into the share capital of innovative start-ups. The maximum amount of the tax credit is limited to RSD 100 million (approximately EUR 850,000).

As for changes to the personal income tax, income subject to taxation in Serbia will be set more widely to include the use or disposal of any right in the territory of Serbia, regardless where the rights originated or where they are located. Furthermore, the provisions that regulate the taxation of employee income from shares and share-option plans were reworked to enable easier implementation, resolve certain issues that appeared in practice, and introduce tax exemptions. In addition, under certain conditions, team building activities and in-house employee benefits will be exempt from taxation, while the mandatory unemployment insurance rate will be reduced from 1.5% to 0.75%.

Parafiscal levies were identified as a major obstacle to doing business in Serbia, so the new law will, for the first time, consolidate and regulate parafiscal levies for the use of public goods in a systematic and comprehensive manner, creating a more business-friendly environment.

In addition, efforts to modernize the Serbian tax system and Tax Administration continue, so in addition to the previous transfer of competences concerning control of foreign exchange regulations to the National Bank of Serbia, the Tax Administration will also be disburdened of competences concerning control of games of chance regulations. Also, when purchasing real estate, it will now be possible to file the relevant tax return through a public notary.

Finally, in 2019, provisions of the MLI will start to apply affecting Serbia's double tax treaties with Austria, France, Lithuania, Poland, Slovenia, Slovakia, and the United Kingdom. With respect to withholding taxes, the MLI will apply from January 1, 2019, while for other types of taxes (*e.g.*, taxes determined by the decision of the Tax Administration) the MLI will apply from April 1, 2019 for companies with non-calendar tax years, and from January 1, 2020 for other companies. It is expected that the Serbian Ministry of Finance will publish synthesized versions of the affected double tax treaties with the applicable MLI provisions, which should allow for easier application of these double tax treaties.

Ivana Blagojevic, Head of Tax, and Nebojsa Pejin, Attorney-at-law, CMS Belgrade

RUSSIA

Tax Risks for Pharma Representative Offices in Russia

Anna Zaitseva

The pharmaceutical market is one of the fastest growing markets in Russia, and despite external and internal issues, it is set to grow even further. Foreign pharma companies are expanding into Russia and quite often, at the initial stage, they do not have subsidiaries but are mostly focused on marketing and promotional activities through representative offices. They should, however, consider the approach of the Russian tax authorities in taxing foreign representative offices (ROs) and consider alternative distribution arrangements.

The tax burden depends on whether a foreign pharma company's activities in Russia lead to the creation of a permanent establishment (PE) or not.

General guidelines specifying the criteria for PE creation are specified by Russian tax law and by the Double Tax Treaty (DTT) between Russia and the country of origin of the head office of the company in question. Also, the OECD Model Tax Convention and official comments thereto are used by Russian courts as additional sources for interpretation of the DTT, even if such documents do not have a binding legal effect in Russia. At the same time, local court trends should be taken into consideration.

Generally, marketing and promotional activities such as organizing seminars and exhibitions and registration of drugs may be considered as preparatory and auxiliary activities that would not give rise to PE in Russia, unless they fall into one of the categories specified below.

If marketing and promotional activities of the RO constitute the core business of the head office (*e.g.*, the head office executes, *inter alia*, advertising and/or consulting services and may generate profit from any market research performed in Russia) it may lead to the creation of PE in Russia.

A risk of PE also occurs if the RO, beyond a promotional function, executes a sales function (*i.e.*, negotiating and signing contracts on behalf of the head office, actually generating profit for the latter).

Vlad Rudnitskiy

If the RO performs marketing and promotional activities for the benefit of third parties (*i.e.*, in favor of distributors or other companies of the group executing sales in Russia) PE may also arise, and even if the RO receives no remuneration for this, the profit tax would be calculated as 20% of the relevant costs incurred by the RO. The approach of the Russian courts to this category of case is quite controversial.

On the one hand, in the *Berlin-Chemie* case, the court supported a foreign pharma company against the claims of the tax authorities and considered that advertising and marketing activities were performed by the RO in favor of the head office, based on the argument that sales of drugs were structured through several distributors. It helps to prove that the RO of the foreign company is itself interested in marketing and advertising activities in Russia as it drives sales and stimulates Russian distributors to increase the volume of purchases.

On the other hand, there is case law in favor of the tax authorities as well. In the *Astellas* case, the court supported the position that the activities of the RO were regularly and continuously performed in the interest of the distributor, rather than in the interest of the head office. The position was grounded on the fact that the sales of the drugs in Russia were structured exclusively through the sole Russian distributor, and an additional relevant distribution agreement obliged the distributor to execute advertising, promotion, and state registration of these drugs in Russia. Such circumstances, jointly with other details, persuaded the court that the RO, while executing advertising, promotion, and registration of drugs in Russia, was actually performing the obligations of the distributor under the relevant distribution agreement, *i.e.*, the RO acted in the interest of the distributor. This activity was considered commercial, and taxable.

In another negative case – the *AstraZeneca* case – the court also ruled in favor of the tax authorities, paying attention in particular to the fact that the RO of the foreign pharma company registered drugs in Russia in the name of other legal entities instead of the head office, and that the trademarks for the registered drugs were also owned by the other legal entities.

In light of these decisions, foreign pharma companies interested in the Russian market are encouraged to consider the planned activities of the RO in Russia from the tax perspective, focusing on the aspects outlined above.

Anna Zaitseva, Tax Advisor, and Vlad Rudnitskiy, Partner, Peterka & Partners Moscow

ROMANIA

The Current Tax System at a Glance

Alexandru Cristea

While 2017 was characterized by various fiscal changes, experiments, and abandoned proposals, the tax landscape at the end of 2018 underpins the competitive edge of Romania in the region. Still, there are reasonable threats with regard to the predictability of the tax system, considering the current macroeconomic trends and the budgetary constraints faced by the Romanian government.

Generally, Romania's tax laws have been perceived by investors as far from stable and predictable, suffering hundreds of amendments, both large and small, in the last few years, with 2017 (which followed general parliamentary elections) at the top in the number of proposed tax changes. Some of these proposals have been adopted (most notably, the reshaping of the social contribution system and the lowering of the personal income tax rate to ten percent, both of which entered into force in 2018). Others have been abandoned (*e.g.*, plans to introduce a globalized tax system for personal income) or drastically limited (*e.g.*, the very burdensome VAT split payment system, initially intended to apply to all companies as a way to reduce VAT leakage, is applicable in the end only in limited situations).

Fortunately, the tax environment has avoided further other major changes in 2018. And this is a good time for businesses active in Romania to take advantage of the country's competitive tax system. The 16 percent flat rate for corporate income tax is one of the lowest in the EU, combined with an alternative treatment for small enterprises which can pay a turnover tax of one percent for turnover up to EUR 1 million. In addition, the standard dividend tax has been reduced to five percent, while the 19 percent VAT rate is below the average standard rate applicable in the EU. Labor taxation is relatively high (*i.e.*, slightly above 40 percent of the combined effect of income tax and social contributions on employer's aggregate payroll costs), with no caps for individual social contributions; still, this burden does not grossly deviate from the average costs incurred by employers in other countries from the region, while it is at the low end when compared with other western EU countries. In addition, IT sector professionals are exempt from the ten percent individual income tax.

Importantly, in the context of current trends at EU and international levels, due to the implementation of anti-abuse and anti-BEPS (base erosion and profit shifting) actions, Romania may boost its role as a holding hub for local and regional investors, who may consider re-routing their investments from traditional holding locations. Thus, Romania benefits from a favorable local holding treatment and a vast number of Double Taxation Treaties concluded with various countries. Subject to certain shareholding conditions, investment outcomes such as dividends and capital gains can transit efficiently through Romanian holding companies with no tax burden.

Nevertheless, Romania's current budgetary pressures and inefficiencies in tax administration may create vulnerabilities for the general tax environment. The public budget deficit is increasing and expected to exceed three percent of GDP in 2018, impacted by a rapid advance of budgetary expenses and a relatively low rate of tax collection. Romania continues to raise the lowest amount of tax revenue as a percentage of GDP and faces the largest VAT gap in the EU. In this context, the threats concern potential changes in fiscal policies to cover short-term budgetary needs, and the worsening of the taxpayers-government relationship. The business environment has already voiced various complaints about excessive tax administration measures, which create obstacles for good taxpayers, including, for example, the bureaucratic and non-transparent procedures in place for obtaining and keeping VAT codes and for assigning different risk levels to taxpayers. Also, companies have generally faced an increase of tax audits and a lack of time-efficient remedies (*e.g.*, appeals in the administrative phase, obtaining advance binding rulings) to protect their business.

So, the key for Romania to keep a friendly and stable tax system is to improve the quality of tax administration and limit general bureaucracy and barriers for businesses. The government can reach this goal by continuing to improve tax digitalization and voluntary compliance while centralizing taxpayer information and risk analysis to eliminate tax leakage.

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