



# Ukraine Legal Market News

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## *Introduction of the International Financial Reporting in Ukraine*

Verkhovna Rada of Ukraine adopted amendments to the Law of Ukraine On Accounting and Financial Reporting in Ukraine (“Amendments”) by Law No. 3332-VI, dated May 22, 2011 (published on June 11, 2011).

According to the Amendments the public joint stock companies, banks, insurance companies, and the companies conducted certain types of business activity specified by the Cabinet of Ministers of Ukraine, shall prepare financial statements and consolidated financial statements under international financial reporting standards.

The Amendments in part of application of international standards shall be effective since January 01, 2012.

## *Rules for Defining of Construction Project Complexity*

The Cabinet of Ministers of Ukraine adopted Resolution No. 5576, dated April 27, 2011 that approved the Rules for Defining of Construction Projects Complexity and their Allocation to IV – V Categories of Complexity (the “Rules”).

The Rules provide for certain criteria allowing a developer and architect to define a category of project complexity. It should be noted that the project complexity allows developer to follow either simplified ‘declarative’ permit procedure for I – III categories projects; or the more complicated one for IV – V categories. Among the IV category identification criteria envisaged by the Rules there are:

- permanent stay in the object (building) of at least 300 persons or temporary stay of at least 500 persons;
- the amount of damages of 15 000 minimum month salary (currently about USD 2 million) incurred by the incident or impossibility to operate the building etc.

The Rules are effective as of June 03, 2011.

## *Generalization of Court Practice by the Superior Specialized Civil and Criminal Court of Ukraine*

The Superior Specialized Civil and Criminal Court of Ukraine generalized a court practice of Supreme Court of Ukraine by letter as of June 06, 2011. Generalization covers, in particular, the following urgent questions.

In particular, in accordance with provisions of Article 220 of the Civil Code of Ukraine (non-compliance with the requirement of law on acknowledgement by notary of the agreement) it is not allowed to find sale and purchase agreement of property valid as far as such transaction is subject to notarial acknowledgement and state registration. Thus the moment of making such transaction shall be deemed, in particular, state registration.

The court also determined that the Law of Ukraine On Measures Aimed at

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Ensuring Sustainable Operation of Enterprises of Fuel and Energy Complex shall not be applied in course of enforcement proceedings if one of the party to the proceedings is an individual-claimant. Thus, there are no grounds to suspend enforcement proceedings and apply the mentioned Law.

Making decisions that contradict the above mentioned legal positions of Supreme Court shall be the ground for their cancellation.

### *Simplification of the Business Entities Dissolution Procedure*

On May 18, 2011 the Verkhovna Rada of Ukraine adopted the Law of Ukraine On Changes to Certain Laws of Ukraine Regarding Legal Entities Dissolution Procedure and Winding Up of Business Activities of Individuals – Private Entrepreneurs under Their Own Discretion (the “**Law**”).

The Law amended certain laws of Ukraine, in particular the Law of Ukraine On State Registration of Legal Entities and Individuals – Private Entrepreneurs, Civil Code of Ukraine, Commercial Code of Ukraine, Code of Ukraine on administrative offences.

The Law substantially changes legal entities dissolution procedure and winding up of business activities of individuals – private entrepreneurs (the legal entities and individuals – private entrepreneurs together – “**Business entity**”). For instance, in accordance with the Law: (i) notification on dissolution of a Business entity shall be provided to the Business entity next day following the date of dissolution state registration; (ii) the Business entity subject to tacit consent principle shall have the right to submit to a state registrar the documents required for dissolution procedure except for clearance certificates of the state tax administration and/or Pension fund of Ukraine or their decision on refusal to issue such certificates, if the Business entity dissolution procedure has been completed and the said authorities had not provided such certificates; (iii) the information (among other) on identities of the dissolution committee (reorganization committee, liquidation committee) and its chairman, or appointment of a liquidator, carrying out the state registration of dissolution of the Business entity subject to tacit consent principle, etc. shall be obligatory for publication. Besides, the Law stipulates the obligation for a state registrar to issue an extract from the Unified state registry if the information on the Business entity contained in the Unified state registry has been changed.

The main provisions of the Law shall become effective on December 18, 2011, but the provisions on the term for granting notification on dissolution and providing extracts from the Unified state registry became effective on June 19, 2011.

### *Increase of the number of participants of the LLC*

On May 12, 2011 the Verkhovna Rada of Ukraine adopted the Law of Ukraine On Changes to Certain Laws of Ukraine Regarding Number of Participants of the LLC (the “**Law**”).

According to the Law the maximum number of the LLC participants has been increased to 100 persons. The Law also stipulates that if the LLC is transformed into the joint stock company, the contributions to the authorized capital of such new company shall be made in full during 5 years.

The Law became effective on June 11, 2011.

### *KPD Consulting Law Firm News*

On June 23, 2011 Vladyslav Kysil partner at KPD Consulting Law Firm, Head of Real Estate Practice on invitation of the National Centre for the Training of Bank Personnel of Ukraine ([www.nctbpu.org.ua](http://www.nctbpu.org.ua)) acted as visiting professor of workshop “The New Ukrainian Construction Law and Project Finance Legal Risks Identification”. The training was held for business department, risk management personnel and legal advisers of Ukrainian banks.

The training covered the following issues: the novelties introduced by the Law of Ukraine On Regulation of Urban Development; land law matters and construction legislation, peculiarities of collateral structures of project financing.

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KPD Consulting Law Firm acts as legal adviser to leading telecommunication operator of Ukraine - Ukrtelecom Joint Stock Company (hereinafter – “**Ukrtelecom**”) on different law matters and preparation of Ukrainian and English versions of the charter and internal regulations on Board of Directors, Supervisory Board, Audit Committee and General Shareholder’s Meeting (hereinafter – the “**Documents**”). The drafts of the Documents were prepared in accordance with the requirements of Law of Ukraine On Joint Stock Companies and instructions of the major shareholder of Ukrtelecom and were adopted by the General Shareholders’ Meeting of the Ukrtelecom on June 14, 2011.

**Vitaliy Patsyuk** (Partner, Head of Corporate and M&A Practice) and **Iryna Pidlisna** (Senior Associate) advised Ukrtelecom on these issues.

**KPD Consulting Law Firm** is Ukrainian independent law firm ([www.kpdconsulting.com.ua](http://www.kpdconsulting.com.ua)) operates in such main fields: corporate law, M&A, real estate, banking and finance law, labor law and dispute resolution.

**Ukrtelecom** ([www.ukrtelecom.ua](http://www.ukrtelecom.ua)) is the largest telecommunication operator of fixed (land line) telephony, leading Internet provider of switched access services to hundreds of thousands customers and exclusive provider of 3-G mobile phone services in Ukraine. Ukrtelecom covers about 71% of the local fixed telephony market and 83% of long-distance and international fixed telephony market, operates more than 10 million of telephone lines. The major shareholder of Ukrtelecom is ESU LLC affiliated company to the Austrian EPIC (full-service investment house for Central and South-East Europe, Turkey, Russia and CIS).