

PwC Eurasia Legal

Legal Newsletter

February 2023



PwC Legal provides a broad range of legal services in Kazakhstan, Azerbaijan, Armenia, Georgia, Mongolia and Uzbekistan, which are complementary to our Assurance, Advisory and Tax practices. Below we outline significant legislative changes for February in these countries.

Kazakhstan

Kazakhstan ratified protocols amending the Treaty on common principles and rules for circulation of medical devices within the EAEU

On 6 February 2023 the President signed the laws on ratification of protocols on introduction of amendments to the Treaty on common principles and rules for circulation of medical devices within the EAEU (the “Treaty”).

The amendments to the Treaty stipulate the possibility for circulation of medical devices, registered under the national laws, within other EAEU member states without their re-registration under the EAEU rules.

Azerbaijan

New Law on targeted financial sanctions came into force on 1 February 2023

The Law determines the legal basis and rules for application of targeted financial sanctions for prevention of terrorism, financing of terrorism, proliferation of weapons of mass destruction and financing of proliferation of weapons of mass destruction. The Law also introduces rules for inclusion and exclusion of the names of sanctioned natural persons and entities to the respective intra-state and international lists. The assets of such persons shall be frozen, and their provision of assets, economic resources or financial and other related services shall be prohibited.

Inclusion and exclusion of the names into the international list shall be done by the United Nations Security Council, while for intra-state lists it will be done on the basis of decisions of the courts of Azerbaijan.

Georgia

Law on Activity of Micro Banks

The Parliament has passed the Law on Activity of Micro Banks. The purpose of the law is to create a new medium-sized financial institution, with a stable business model and high reputation in the financial sector, to promote lending to entrepreneurial and agricultural activities, to increase competition and to reduce interest rates on credit products. The micro banks will operate in sectors where the commercial banks are less interested due to high operating costs.

Law on Public Procurement

The Parliament has passed the Law on Public Procurement. With the adoption of the law, the existing law of Georgia on state procurement is declared invalid. The law contains important changes that will transform the existing system of public procurement. According to the explanatory note of the law, the project has been developed within the framework of the approximation required by the Association Agreement with the EU. Therefore, the adoption of the law should fulfill the obligations undertaken by Georgia in this regard.

Amendments to the Law on Organizing Lotteries, Games of Chance and Other Prize Games

The Parliament has passed amendments to the Law on Organizing Lotteries, Games of Chance and Other Prize Games. According to the amendments, new types of permits are introduced, including permits to organize online casinos, online gambling machines and online betting. According to the explanatory note, amendments are adopted in accordance with The FATF Recommendations.

The Government approved the Rule of the Cyber Security Committee and Operating procedures of the Secretariat of the Cyber Security Committee

On 1 February 2023 the Government enacted the Rule of the Cyber Security Committee and the Operating procedure of the Secretariat of the Cyber Security Committee (the “**Committee**”). The Committee is responsible for providing uniform management and coordination of activities related to ensuring cyber security. Specifically, the Committee is authorized to take the following measures:

- monitor implementation of laws and regulations regarding cyber security;
- serve as a uniform management body for national cyber security activities by coordinating activities of related organizations;
- collect information and documents necessary for ensuring cyber security from relevant organizations; and
- cooperate with foreign countries and international organizations to ensure cyber security.

The Committee will be chaired by the Prime Minister, while the Minister, in charge of digital development and communications matters, and the Head of the General Intelligence Agency shall serve as the Vice-Chairmen.

The Government adopted the Regulation on resolving interest-based collective labour disputes with assistance from labour mediators

On 4 January 2023, the Government approved the Regulation on resolving interest-based collective labour disputes with assistance from labour mediators (the “**Regulation**”). The Regulation provides detailed procedures for the labour mediation process as well as the rights and obligations of the relevant parties.

Pursuant to the Regulation, if a labour dispute could not be resolved despite the parties’ best effort, a party may notify in writing the other party, of its offer to resolve the dispute through labour mediation and a name of the proposed labour mediator. Accordingly, a party, who receives such notice shall provide its written response within 3 working days. If a consensus is reached between the parties, the mediation process begins within 3 working days. Alternatively, if no consensus is reached or if a party fails to respond within 3 working days, a request should be filed at the labour authority of respective level, which will then appoint a registered labour intermediary within 3 working days.

The Regulation also emphasizes joint meetings i.e. the primary way in which the mediator and the disputing parties address the issues in question. The timeline and procedures of the joint meetings are explicitly stated in the Regulation.

The Parliament adopted the Law on Investment Banks

On 20 January 2023 the Parliament adopted the Law on Investment Banks (the “**Law**”). The Law contains provisions related to establishment, authorization and cancellation, authorized activities, and management of investment banks. In accordance with the Law, investment banks are to provide medium-term and long-term financing for projects. Furthermore, investment banks’ activities are strictly limited to the following activities:

- Loan services;
- Payment services
- Guarantees and warranties;
- Purchase and sale of securities and financial instruments;
- Purchase, sale and trade of foreign currency;
- Underwriting;
- Custody services; and
- Financial and investment advisory services.

Until now, there was no regulation in Mongolia for foreign and domestic entities for obtaining a permit to operate as an investment bank. However, since the newly adopted law became effective on 1 March 2023, foreign banks now may enter the domestic market for investment purposes, granting loans necessary to finance large projects and programs.

The Presidential Decree approves the classification of businesses

On 10 February 2023 the President adopted the Decree which introduced new business classification (the “**Decree**”). According to the Decree, all enterprises will be classified by annual turnover into small-sized (up to UZS 10 billion / approx. USD 885,000), medium-sized (from UZS 10 billion to UZS 100 billion / approx. from USD 885,000 to USD 8,8 mln) and large-sized (over UZS 100 billion / approx. more than USD 8,8 mln) entrepreneurship.

Under the Decree the following privileges will be provided:

- Part of the cost of property insurance for medium-sized businesses will be covered by the State Fund for the Support of Entrepreneurs,
- Medium-sized and large-sized businesses will be given a 20% quota in public procurement and procurement contracts with budget organizations. These contracts will be concluded on conditions of an advance payment of 50%.

These privileges will come into effect from 1 April 2023.

The Development Strategy of New Uzbekistan for 2022-2026 is published for discussion

The Development Strategy Center introduced the draft of the Presidential Decree on the Implementation of the Development Strategy (“**Strategy**”) for public discussion, as well as the draft program for implementation. According to the Strategy:

- Starting from 1 March 2023 a moratorium came into force for introducing of new types of liability and penalties in respect of business entities,
- Starting from 1 July 2023, the number of services provided remotely through the Single Portal of Interactive Public Services will be increased, and state duty will be reduced,
- By 1 September 2023 the Ministry of Economy and Finance shall submit proposals on creating favorable conditions for the participation of the population in the stock market and the development of the capital market.

The documents are available for discussion on a special information platform “2023.strategy.uz”.

The Government approved decision on regulation and promotion of Public-Private Partnership

As part of the transformation and improvement of the public investment management system, the Government decision “On approving the procedure for selection, development, evaluation and prioritization of public investment programs” was adopted.

The decision specifies the scope of responsible bodies and their functions, as well as improves the evaluation standards of public investment projects in Armenia. The decision defines a specific evaluation methodology for public investment programmes, setting a threshold of AMD 1 billion for projects where the evaluation methodology will be applicable.

It is expected that adoption of the decision will contribute to the improvement of the public investment management system, implementation of which will ensure more targeted use of limited public funds. The decision came into force on 20 February 2023.

The Government approved the initiative to introducing major amendments and supplements to the Labor Code

The Government has approved the initiative to make amendments and supplements to the Labor Code, which are aimed at, inter alia, regulating conclusion and termination of an employment agreement, employee representation and labor disputes, youth work and internship, etc.

The amendments and supplements:

- Expand the channels for the conclusion of an employment agreement. Particularly, based on new amendments, the exchange of contracts between the parties may happen in one or more of the following ways: a) by registered mail with acknowledgement of receipt; b) by facsimile; c) through an electronic communication.
- Clarify the list of requirements for the validity of a labor agreement, as well as the scope of documents to be submitted by the employee when entering into labor relations.
- Clarify termination of employment agreements in cases where (a) the termination is initiated by the employee and the employer has no objection, (b) there are grounds for a loss of trust, especially in terms of criteria for the establishment of loss of trust, (c) age is the ground for termination of an employment agreement.
- Specify regulations for the work for children under the age of 18, as well as introduce the concept of internship, its duration and conditions.
- Revise the regulations relating to employees' representatives with the purpose of promoting and enhancing the role of trade unions.
- Introduce mediation as a channel for resolution of labor disputes.

Are you interested in any of the topics?

- We would be pleased to discuss with you the legislative changes and how they can impact your business;
- We can analyze and implement possible steps to ensure compliance with the new requirements.

If you are interested in additional information, please contact the respective PwC specialists.

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