

PwC Eurasia Legal

Legal Newsletter

September 2023



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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 September in these countries.

Kazakhstan

The Mazhilis approved amendments to the Code on Subsoil and Subsoil Use

The Mazhilis approved the draft Law “On introduction of amendments and additions to the Code on Subsoil and Subsoil Use on matters relating to improvement of subsoil use sphere” (the “**Draft Law**”). The Draft Law, inter alia, envisages:

- The right of the subsoil user to refuse from unpromising drilling of a well at the exploration stage without paying fines for failure to fulfill contractual obligations;
- Obligations of the subsoil user to approve and submit the project for liquidation of the consequences of subsoil use of hydrocarbons no later than two months from the date of filing the application for refusal from the entire subsoil plot;
- New procedure for issuing permission for encumbrance of the subsoil use rights and objects related to subsoil use rights;
- Establishing the deadline for the economic examination of changes to subsoil use contracts for hydrocarbons and uranium, concluded before the entry into force of the Code on Subsoil and Subsoil Use.

Azerbaijan

New Standards On Corporate Governance for Banks in line with the ESG factors approved

According to the Decision of the Management Board of the Central Bank dated 28 August 2023, the Standards on Corporate Governance for Banks (the “**New Standards**”) have been approved. With the adoption of the Decision, the Decision on Risk Managements in Banks dated 30 January 2019, and the Decision on Standards on Corporate Governance for Banks dated 27 June 2019 have repealed.

It is worth to note that, among other matters, the environmental (climate changes, environmental degradation, ecosystem disturbances, etc.), social (gender issues, inclusion, labor relations, investment in human resources, etc.) and governance (organizational structure, rewarding, employee relations, diversity and equality, etc.) factors are among the main factors that banks shall consider in their strategy to ensure long-term stability.

The New Standards entered into force on 8 September 2023.

Georgia

Draft Law On the Possession of Dematerialized Securities

On 20 September 2023 the Parliament adopted by the second hearing the draft Law On the Possession of Dematerialized Securities. The purpose of the draft Law is to create an appropriate legal framework to promote the development of the capital market in Georgia. The draft Law defines the concept of dematerialized securities and regulates the rules related to their ownership, transfer, and fulfillment of obligations arising from them.

Amendments to the Law on Funded Pensions

On 20 September 2023 the Parliament adopted by the second hearing the amendments to the Law on Funded Pensions. According to the current regulation, an employer shall make a pension contribution during the payment of salaries, while under the amendments, the term for a pension contribution shall be 5 working days after payment of salaries. Furthermore, according to the amendments, an employee whose income tax is not subject to withholding at the source of income shall, no later than 5 working days after receiving the salary, make a pension contribution in the amount of 4 percent of the taxable salary. In turn, the employer of such an employee is obliged to compensate the employee for the pension contribution of 2 percent of the taxable salary.

Mongolia

The Ministry of Digital Transformation and Communications adopted a new regulation on processing sensitive data

On 11 September 2023 the Minister of Digital Development and Communications (the “**MDDC**”) approved the regulation on the requirements for processing sensitive, genetic, and biometric data (the “**Regulation**”). The Regulation sets forth the several important requirements for data controllers and processors for processing sensitive data. According to the Regulation, the companies processing sensitive data are required to appoint a Data protection officer and have an information security audit on an annual basis by licensed information security auditors. The MDDC is expected to approve other important regulations governing personal data to the Law on Personal Data Protection.

Uzbekistan

The President approved Uzbekistan-2030 Strategy

The Strategy "Uzbekistan-2030" was approved by the Presidential Decree dated 11 September 2023 (the “**Strategy**”). The Strategy includes five priority directions as follows:

- Further improvement of the country's investment attractiveness and accelerated development of the securities market. It is envisaged to introduce investment rating of regions, to create the possibility of uninterrupted access to necessary infrastructure in all economic zones, as well as to conduct IPO of 40 state-owned enterprises;
- Construction of new roads and modernization of low-profit regional airports on the basis of public-private partnership, as well as transfer of airports into trust management;
- Development of the market for "green certificates" in industry and introduction of "eco-labeling" practices;
- Development of the irrigation system and introduction of water-saving technologies, including with the involvement of the private sector and the introduction of public-private partnership mechanisms;
- Private sector participation in state monopoly areas, including management of energy and heat supply systems for social facilities.

PPP Project Development Fund will be established in Uzbekistan

On 14 September 2023 the President approved the Resolution on Measures to Establish a Fund for the Development of Public - Private Partnership Projects (the “**PPP**”) in Uzbekistan (the “**Resolution**”). According to the Resolution the Fund for the Development of PPP Projects (the “**Fund**”) will be created in collaboration with and managed by the European Bank for Reconstruction and Development.

One of the functions of the Fund will be to attract consultants and consulting companies. The main role of consultants will be to develop the concept, financial model, appraisal and tender documentation of projects and PPP agreements for projects implemented exclusively on a tender basis. Also, consultants will be involved in the organization and conduct of tender processes, training of local specialists working with PPP projects, and other purposes related to the development of the PPP sphere in Uzbekistan.

Additionally, procedures for placing PPP projects on the international platform “SOURCE” have been defined.

The amendments to the laws for regulation of passenger transportation services have been included to the agenda of the session of the National Assembly

The amendments to the Law On Motor Vehicle Transport, the Law On State Fees, the Law On Notification of Activity Implementation, the Law On Transport, the Code on Administrative Offenses, the Tax Code have been included to the agenda of the session of the National Assembly.

The purpose of the suggested amendments is to regulate the legislation gaps regarding organization of passenger transportation services.

The passenger transportation services provided through electronic platforms in Armenia are currently unregulated. Many drivers use their own vehicles for passenger transportation without oversight or taxation. Online platforms for transportation services operate without any legal framework, resulting in a lack of control mechanisms in the sector. The organizations responsible for generating and processing orders on these platforms are not subject to regulation, as their activities are not officially classified as economic activities.

Furthermore, individuals using 6-8-seater light passenger cars are offering regular transportation services at lower rates, which undermines the traditional routes served by regular inter-provincial passenger transport services.

According to the amendments, the concept of electronic platform passenger transportation services was added to the Law On Motor Vehicle Transport, defining that the electronic platform passenger transportation service is the provision of services for the formulation and transmission of passenger transportation orders electronically, including via the Internet, using information technologies. It has also been suggested to regulate that passenger transport by passenger-taxi cars can be carried out by those organizations, individual entrepreneurs or natural persons who are connected to the electronic system of the tax authority and provide the customer with the electronic receipt of the electronic control cash register for each order payment (except for passenger transportation through the electronic platforms). At the same time, the amendments to the Code on Administrative Offenses stipulate a fine for failure to inform the tax authorities about the quantity of orders for transportation services.

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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