

PwC Eurasia Legal

Legal Newsletter

October 2022



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 October in these countries.

Kazakhstan

The Parliament of Kazakhstan accepted for consideration amendments to laws on Digital Assets

The Majlis accepted for consideration the draft laws relating to the Digital Assets' market. In particular, the draft laws regulate relations arising in the process of issuing, placing and circulation of digital assets, as well as activities of subjects of the digital assets' market. It is proposed to introduce amendments to the Constitutional Law on Astana International Financial Center ("AIFC") to regulate the circulation of digital assets including (1) establishment of a special legal regime for digital innovations in AIFC; and (2) until 1 January 2066, natural and legal persons are exempt from CIT and individual income tax on certain incomes.

The Rules and deadlines for submission of information and documents on beneficial owners are approved

The Agency for Financial Monitoring adopted the Order No.33 approving the Rules and deadlines for submission of information and documents on beneficial owners (the "Rules"). The Rules require: (1) legal entities and unincorporated foreign structures to submit information and documents upon request of the authorized body within 5 business days from the date of receipt of the relevant request; (2) the documents for submission should include constituent documents and register of shareholders.

Azerbaijan

The Law on state registration and state registry of legal entities amended

An amendment to the Law on State Registration and State Registry of Legal Entities was introduced from 18 August 2022. In the context of a liquidation procedure, companies will need to present to the state authority confirmation from the respective department of the National Archive Office on archiving of the company's documents.

Georgia

Creating a regulatory framework for virtual asset service providers

The Parliament has passed the draft amendments to the Organic Law on the National Bank. The purpose of the draft amendments is to create a regulatory framework for virtual asset service providers, and to facilitate the prevention of money laundering and financing of terrorism. The draft law introduces definitions of virtual assets, convertible virtual assets, virtual asset service and virtual asset service provider.

Virtual asset is defined as a digital representation of value, which can be interchangeable and is not unique, and that can be digitally traded or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets. The activities of virtual asset service providers is subject to the supervision by the National Bank. The amendments are effective from 1st January 2023.

Draft Law on Mortgage Covered Bonds

On 8 September 2022 the Parliament reviewed the draft law on Mortgage Covered Bonds for the first hearing. In order to pass, the draft law shall go through two more hearings. The purpose of the draft law is to secure enhanced access of commercial banks to diversified sources of funding and to promote the development of the covered bond market in Georgia. The draft law regulates legal relations related to the issuance of mortgage covered bonds, the supervision of issuers and legal relations related to their work. The draft law provides definitions of mortgage covered bond, default, issuer, programme administrator, mortgage covered bond programme segregation, etc. According to the draft law, an issuer is required to appoint a cover pool monitor which shall be an audit firm entitled to audit the financial report of a Public Interest Entity.

Responding to Detection of Counterfeit Money in Georgia

On 30 September 2022 the Council of the National Bank adopted the Resolution on 'Responding to the Facts of the Detection of Counterfeit Money in the Territory of Georgia'. The document instructs individuals performing cash transactions on how they should act when detecting counterfeit currency, how to ensure the immediate removal of counterfeit or suspicious currency from circulation and, by informing the authorities concerned in a timely manner, limit the spread of counterfeit currency in the country. The regulation applies to both national and foreign currencies, and compliance is mandatory for representatives of the financial sector, as well as other individuals who are engaged in trade, are product suppliers and other service personnel. It applies when paying in cash, changing, replacing, exchanging for another currency or checking. Whenever the representatives of the financial sector detect counterfeit or suspicious money, they are obliged to confiscate it for further examination and without any compensation.

Mongolia

Quota for foreign employees for 2023

The Government enacted a new quota for foreign workers on October 5th, 2022. The quota is set for each economic sector and takes effect from January 1st, 2023.

Mandatory ESG Reporting requirements

Environmental, social, and corporate governance reporting requirements and guidance have been introduced by the Financial Regulatory Commission to bring Mongolian market practice in line with international standards. Listed companies and other specified companies (*Insurance companies, non-banking financial institutions that offer savings trust service and investment management companies*) are expected to submit a ESG and sustainability report to the FRC from 2023.

New Insolvency Law will be discussed by the Parliament.

The Parliament will discuss the draft "Insolvency Law" which will replace the current Bankruptcy Law during the 2022 fall session. The Draft Law is intended to clarify and regulate relations regarding the determination of insolvency of a legal entity, court process in insolvency proceedings, commencement of insolvency proceedings, claims relief and their satisfaction, appointment and release of a trustee and his or her authority, creditors' meeting and its power, mediation, restructuring and refinancing an insolvent legal entity, and liquidation. Owing to the specific characteristics of the banking system, and insurance and non-banking financial institutions, their insolvency matter is regulated by their own specific law. General insolvency is regulated by the Draft Law, leaving the Civil Procedure Law to regulate relations that are left unregulated.

Armenia

New Competition legislation enforced

Within the scope of harmonizing Armenian competition legislation with EU regulations, a new edition of the law on the Protection of Competition and guidelines in the form of decrees and orders have been adopted during 2021 and 2022. The Law provides detailed regulations for concentration, anticompetitive agreements, while the decrees establish procedures for calculating the fines for different types of anticompetitive behavior. The Law also specifies the powers of the local Armenian Competition Protection Commission in terms of conducting inspections and purchase control.

The Government has clarified and expanded the scope of State Support provided to IT companies

Armenia emphasizes the development of the IT sector and has been providing a special tax treatment to IT companies since 2015, provided the company complies with certain requirements and receives a specific certificate. In addition to the special tax treatment, Armenia also provides state support (in the form of a return of 50% from the paid income tax), which excluded companies that have received certificates for special tax treatment (even if that certificate was ineffective). The scope of subjects eligible for receiving the state support was clarified (expanded) by

the Government decision 1616-L from 20 October 2022, where IT companies that have received certificates for special tax treatment are also eligible for the state support, provided that the issued certificate has been terminated. The Government decree is effective from 21 October 2022.

Uzbekistan

Abolishment of trade restrictions within the Commonwealth of Independent States

Uzbekistan is ready to abolish trade restrictions within the Commonwealth of Independent States. During the meeting of the CIS Heads of State Council, the President announced Uzbekistan's readiness to completely abolish the existing exceptions to the CIS free trade regime. The President also announced Uzbekistan's decision to join the Rules for Determining the Country of Origin of Goods (2009).

The President signed new Law on E-signature

On 12 October 2022 the President signed the Law on Electronic Digital Signature. The new Law introduces the ability to use electronic signatures through "cloud technology", a procedure for recognising foreign electronic signatures, and issuance and registration of an e-signature certificate within 1 business day. The document comes into force on January 14, 2023.

The Cabinet of Ministers adopted the Resolution on Additional Measures to Promote Innovation and Investment Activities

The Resolution "On Additional Measures to Promote Innovation and Investment Activities in the Territories of the Republic" was adopted as part of the state programme for the implementation of "New Uzbekistan Development Strategy for 2022-2026". According to the Resolution measures are to be taken to:

- gradually establish technology parks in the cities of Nukus, Bukhara, Jizzakh and Namangan,
- set up a "Center for Advanced Projects and Engineering" in Tashkent,
- establish an "Investor Assistance Centre" in the Surkhandarya region with a mandate to deal with issues at the national level.

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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