

Sorainen Law Offices wish you very merry Christmas and
a New Year filled with happiness and success!

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EUROPEAN UNION

Please notice that starting with the current issue of the Baltic Legal Update we will begin introducing you to selected EU law updates as well.

COMPETITION LAW

On 01.10.2003 the major part of new EU rules on motor vehicle distribution (Commission Regulation No 1400/2002 of 31.07.2002 on the application of Article 81 (3) of the Treaty to categories of vertical agreements and concerted practices in the motor vehicle sector) came into effect. The transitional period, which was mainly meant to allow the operators time to adapt vertical agreements, has now ended. However, the full effect of the new rules for car sales and servicing will be achieved after 01.10.2005, at which point the further transitional period for the so-called location clause expires.

New rules cover the sale and after-sales services of all motor vehicles, such as passenger cars, light commercial vehicles, trucks and buses.

New rules will also open the way to multi-branding, meaning that as of 01.10.2003 dealers will be able to sell more than one brand within the same showroom. The right to make a choice to sell more than one brand is given to the retailers.

Also new distribution techniques such as Internet sales will be introduced, whereas the dealers of a selective distribution system may place advertisements throughout the single market and address mail shots and personalised e-mails to consumers located anywhere in the EU.

Pursuant to the new regulation residual barriers to cross-border purchases will be wound up, thus from 01.10.2003 onwards the consumers are entitled to make cross-border purchases.

Regulation provides also a wider choice of after sales service providers. Repair

services can be rendered by authorised repair shops or by a fully independent repair shop. No repair shop may be prevented from servicing several brands and repair shops will no longer be obliged to operate a dealership as well. The regulation should also give consumers a wider choice in respect of the spare parts, as the carmakers can no longer prevent repairer from obtaining the spare parts from other sources.

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ESTONIA

COMPANY LAW

In a publicly discussed court case, where Oracle East Central Europe Limited Estonian branch (Oracle) was not allowed to bid in Estonian procurement tenders, as the branch was not considered as legal person, the Supreme Court remitted the matter back to the circuit court. The respective administrative authorities were of the opinion that the parent undertaking, not the branch, should have participated in the procurement tender. Oracle contested this decision in court and lost the dispute in the first instance court. Oracle referred the matter to the circuit court, which formed an opinion that the branch, not being a legal person, is not even entitled to recourse to the court.

On 30.10.2003 the Supreme Court passed a judgement (3-3-1-68-03) dissenting from the lower ranking courts. The Supreme Court held that many legislative acts provide for the independent right of transactions and operating for the branches, consequently, the judgement of the circuit court was precipitate and contrary to the EU principles. The Supreme

Estonia

**Republic of Estonia
terminates Free
Trade Agreements
with Ukraine, EFTA
countries and Turkey**

Latvia

**Liberalization of the
natural gas market
is planned in Latvia**

Lithuania

**New Insurance Law
adopted in Lithuania**

Sorainen Law Offices

**Sorainen Law Offices
has consulted 300
company acquisitions**

**Important seminar to
be held in Vilnius
on 27.11.2003**

LEGAL UPDATE

Court sent the matter back to the circuit court for review. This decision will have essential influence on the activities of all branches operating in Estonia.

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DATA PROTECTION LAW

The new **Personal Data Protection Act** (*Isikuandmete kaitse seadus*) came into force on 01.10.2003 to replace a former law of the same title. The purpose of the new act is to heighten the level of personal data protection and to bring it into compliance with the principles recognised in EU, so as to ensure the clarity and more efficient applicability of personal data protection regulation. Persons' rights in the processing of their personal data are now more protected.

Amongst other important changes, the new act imposes stricter requirements on processing personal data without an individual's consent. Transmission of personal data to a foreign country is now conditional on the individual's consent and the data protection level of the foreign country.

The act distinguishes between private, sensitive, and other personal data. When processing private personal data (e.g. data on taxation), the chief processor is usually required, upon certain conditions, to only notify the Data Protection Inspectorate. When processing sensitive personal data (e.g. data on state of health of a person), the chief processor must register the processing with the Data Protection Inspectorate. Processors must follow the general requirements for processing personal data as provided by law regardless of the type of personal data processed.

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FREE TRADE AGREEMENTS

The Republic of Estonia unilaterally terminates free trade agreements with the Ukraine, EFTA countries and Turkey on the date of accession to the European Union. Termination is based on the **Termination of Free Trade Agreements between Republic of Estonia and Ukraine, Republic of Estonia and EFTA States and Republic of Estonia and Turkey Act** (*Eesti Vabariigi ja Ukraina vahelise vabakaubanduslepingu, Eesti Vabariigi ja EFTA riikide vahelise lepingu ning Eesti Vabariigi ja Türgi Vabariigi vahelise vabakaubanduslepingu lõpetamise seadus*), passed by the Parliament on 14.10.2003.

Paragraph 10 of Article 6 of the final act to Estonia's Accession Treaty obliges Estonia to withdraw from all free trade agreements it has concluded with third countries. Upon accession, Estonia is also

obliged by the Accession Treaty to join all the international agreements of the European Union (including agreements with the aforementioned states), and Estonia has to apply these agreements before it enters into the respective agreements.

The effect of termination of the free trade agreements on undertakings mostly depends on the conditions of the agreement with each respective party, the conditions applicable on the European Union member states, and the area of trade of the undertaking. For example, fish industries that export their products to the Ukraine will face much higher customs tariffs in the future.

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SECURITY LAW

The Parliament passed the **Security Act** (*Turvaseadus*), which will come into force on 1st May 2004 to repeal the Security Services Act (*Turvateenistuse seadus*). Similarly to the former regulation, security services may be provided by security undertakings that hold a respective activity licence. The service provider is required to enter into a written agreement with a customer to whom a security service is provided. Security services are understood as security consultations, guarding and protection of movable and real property, personal protection, insurance of order at events and objects, maintenance of a control centre, and design, installation and servicing of security systems.

Security services may be provided only in the area specified in the activity licence. An activity licence is granted for a term of one to five years. Where the task requires less than a year, a temporary licence is issued. A person whose registered or statutory activities include the provision of the security services specified in the Security Act may apply for an activity licence.

The Security Act enables the Estonian Government to impose restrictions on the holding of a citizen or entity from outside the European Economic Area in the equity of a security undertaking. The Act does not regulate the liability of security undertakings; this is regulated by contracts and the Law of Obligations Act.

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LATVIA

CUSTOMS LAW

Amendments to the law **On Customs Duty** (*Par muitas nodokli*) have been adopted. Parcels of small commercial value that are delivered to an addressee in the

Republic of Latvia by means of letter or postal package and where the value does not exceed LVL 50 are exempt of the tax duty.

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ENERGY LAW

Amendments to the **Energy Law** (*Enerģētikas likums*) are planned. In its current wording, the Energy Law fails to include stipulations regarding the liberalization of the natural gas market and regarding the access by any third party to the infrastructure of natural gas transportation, distribution and storage.

The draft law aims at laying down the legal regulation for the opening of the natural gas market and has been developed in line with the Directive 2003/55/EC "**On unitary regulations of the internal market of natural gas**" that regulates access to the market, the functioning of the systems as well as criteria and the procedure for issuing permits to administrate, distribute, supply and store natural gas. The purpose of the aforementioned Directive is to provide for the gas supply security, flexibility and competition in the gas market so that the gas would be supplied at competitive prices once the internal gas market has been established fully open. In choosing a regulated access procedure the member states are to take all necessary measures to grant to the natural gas enterprises and eligible customers within or beyond the territory of an interconnected system the rights to access the system on the basis of the published tariffs and other provisions and obligations to be complied with when using the system.

At the same time the draft law intends to clarify several definitions of the terms used in the law.

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EU STRUCTURAL FUNDS

Cabinet of Ministers introduced new regulations **On the Institutional System for the Administration, Supervision, Control and Evaluation of the European Union Structural Funds** (*Noteikumi par Eiropas Savienības struktūrfondu vadības, uzraudzības, kontroles un novērtēšanas institucionālo sistēmu*). The regulations provide for an institutional system for the administration, supervision, control and evaluation of the European Union structural funds, including the obligations, rights and responsibility of the parties involved in implementation of the measures financed by the unified programme document. Such programming that Latvia, as well as the other candidate countries will face, involves the preparation of multiannual development

plans and is undertaken in several stages, until the measures are taken over by the public bodies. First of all the development and conversion plans are submitted by the Member States. Next the Member States submit programming documents to the Commission following its general guidelines. The Commission negotiates with the Member States on the basis of their programming documents and makes an indicative allocation from the Funds to each form of assistance for each Member State. The regulations adopted by the Cabinet of Ministers apply to financing from the structural funds listed in the unified programme document, namely: European Regional Development Fund, European Social Fund, the Guidance Section of the European Agricultural Guidance and Guarantee Fund, and Financial Instrument for Fisheries Guidance.

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INSURANCE LAW

The Board of the Finance and Capital Market Commission has passed the regulations On the Approval of **The Regulations for Granting Finance and Capital Market Commission Permits Regulating the Activities of Insurance and Foreign Reinsurance Companies, Notifications, Document Approvals and Information Disclosure** (*Par Apdrošinātāju un ārvalstu pārapdrošinātāju darbību reglamentējošo Finanšu un kapitāla tirgus komisijas atļauju saņemšanas, paziņojumu izdarīšanas, dokumentu saskaņošanas un informācijas sniegšanas noteikumu apstiprināšanu.*). The regulations lay down the procedure whereby the Finance and Capital Market Commission grants the following permits to insurers: for the officials appointed by the insurance companies to start performing their duties, for performing reorganization, for the transfer all or part of the insurance contracts to a another non-related insurer, for commencing liquidation procedure, for introducing amendments to loan contract provisions if the insurance company has included subordinated capital into its equity calculations, and for granting unlimited preference to share repayment if the insurance company includes preferred shares with no maturity with dividend accumulation into the equity calculations.

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REAL ESTATE

Draft law Amendments to the **Law On Land Reform in the Cities of the Republic of Latvia** (*Par zemes reformu Latvijas Republikas pilsētās*) was proposed. According to the amendments, henceforth also citizens of the Republic of Estonia who

live in the Valka and Valga Cities will be entitled to purchase land in the Valka City territory, which is an exception to the general prohibition for the foreigners to purchase land in the national border zones.

We would like to draw your attention to the new amendments to the **General Construction rules** (*Vispārīgie būvnoteikumi*). The amendments purport to change the norm, in accordance to which the minimal warranty period for the small construction works is one year and two years for all other construction works. The amendments will enter into force as of 01.01.2004 and change this rule. The main change is that the General construction rules will now determine not the minimal but the maximal warranty period, which will be two years long. In our opinion, this period will be applicable in all cases when the parties do not agree on the warranty period as well as if they fail to agree. However, we consider that the parties will still be able to agree on longer warranty periods, since it is doubtful that the object of the amendments is to prohibit the parties to negotiate longer warranty periods.

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TAX LAW

The draft law **On alcoholic beverages' movement** (*Alkoholisko dzērienu aprites likuma projekts*) has been developed to prevent constraints on the free movement of goods among the EU member states, as well as to harmonize the new draft law **On Excise Tax** (*Par akcīzes nodokli*) with the present law that regulates the movement of alcohol. To ensure clarity of the legislative acts regulating the movement of alcohol, the draft law also incorporates requirements regarding the movement of beer. The new draft law is expected to take effect along with Latvia's accession into the EU, i.e., on 01.05.2004. The draft law is to set forth that wholesale and retail of alcoholic beverages require respective licenses and to regulate the movement of beer. The draft law incorporates stricter requirements for the movement of alcoholic beverages ,including beer, (restriction to use alcoholic beverages in sales or consumption promotion campaigns whereby alcoholic beverages are offered at a reduced price, also imposing on beer restrictions similar to those imposed on other alcoholic beverages with regards to advertising and sales activities), as well as stricter requirements for beer movement.

Currently the movement of alcohol in Latvia is governed by the Alcohol Movement Law and Cabinet Regulations No. 63 "Procedure for Beer Movement and Supervision (*Alus aprites un uzraudzības kārtība*). Clause 3 of Article 17 of the currently effective Alcohol Movement Law stipulates that import of alcoholic beverages and spirit requires a licence, however, the requirement for an import licence for trading

in specific goods in the EU member states stands in conflict with Article 28 of the EC Treaty . Therefore, the draft law purports to eliminate the requirement for such licence.

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LITHUANIA

BANKING

The **Law on Mortgage Bonds and Mortgage Lending** effective as of 15.10.2003 was adopted on 25.09.2003. (*Hipotekinių obligacijų ir hipotekinio kreditavimo įstatymas*).

The Law is aimed at establishing the system of the mortgage lending which would stimulate the accumulation of the long-term financial assets in the credit institutions for granting credits. The new financial instrument – mortgage bonds – has been introduced. According to the Law, the redemption of the mortgage bonds is secured by the mortgage of the property and the creditor's claims of the credit institution.

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FREE MOVEMENT OF GOODS

On 09.10.2003 the Government adopted the Resolution No. 1252 targeted to implement the principle of **free movement of goods** in Lithuania (*Vyriausybės nutarimas dėl laisvo prekių judėjimo ir pasikeitimo informacija apie nacionalines priemones užtikrinimo*).

The application of the principle of mutual recognition in Lithuania has been declared in the Resolution. According to this principle goods originating from the EU or from the European Economic Area (EEA) can be supplied to Lithuanian market devoid of any limitation provided that these goods have been lawfully produced and marketed in the EU member state or the EEA state.

Besides, the Procedure for Providing Information on the National Measures Unconformable to the Principle of Free Movement of Goods has been approved by this Resolution.

The Resolution will come into force from the day of accession to the EU.

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INSURANCE

On 18.09.2003 the Parliament adopted a new version of the Law on Insurance (*Draudimo įstatymas*). The Law will take effect on 01.01.2004.

The rules regulating the activities of the insurance companies and the insurance brokers have been harmonized with the provisions of the EU legislation. Among the novelties introduced into the Law the following should be mentioned:

- the additional supervision requirements of insurance companies belonging to the group companies have been established;
- the activities of Lithuanian insurance companies and the insurance brokers operating in the other EU member states have been regulated;
- the activities of the insurance companies and the insurance brokers of the other EU member states operating in the Republic of Lithuania have been regulated. The Law enumerates the following main forms of activities: establishment of subsidiaries, branches or the right to provide services without having established a subsidiary or a branch;
- the procedure for the dispute resolution between the insurers and the assured has been established. The resolution of such disputes is delegated to the Insurance Supervisory Commission. However, the consumers are entitled to file the claim directly with the court;
- the peculiarities of life insurance, health insurance etc. have been established.

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TAX LAW

Several amendments to the rules on **taxation of business-trip allowances** (*Komandiruočių sąnaudų atskaitymo iš pajamų tvarka*) have been introduced. The amendments came into effect on 01.10.2003 and on 04.10.2003. First, it was established that the following amounts of business-trip allowances are subject to the income tax of residents:

- 1) the amount of business-trip allowances per month exceeding 50 per cent of the monthly salary of an employee;
- 2) the allowance of the business trip within Lithuania exceeding 12 per cent of the minimum living standard (i.e. LTL 15 or approx. EUR 4,3) per day.

According to the subsequent amendments, until 31.12.2003 the aforementioned taxation rules specified in Section 1 above are applied only in respect of the business-trip allowances paid to the employees the monthly salary thereof does not exceed the minimum monthly salary (LTL 450 or approx. EUR 130). Since 01.01.2004 the business-trip allowances will be taxed in the aforementioned way only if the monthly salary of the recipient does not exceed the minimum monthly salary multiplied by a coefficient of 1,3 (i.e. LTL 585 or approx. EUR 170). It should be noted that the mentioned provisions are not applied in respect of the business-trip allowances paid to the crew sailors.

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TELECOMMUNICATIONS

On 24.10.2003 the Order of the Director of the Communication Regulatory Authority establishing the right of the subscribers to keep the telephone number took effect. (*Ryšių reguliavimo tarnybos direktoriaus įsakymas dėl Abonento teisės išlaikyti abonentinį numerį, keičiant telefono ryšio paslaugų teikėją ar paslaugų teikimo vietą bei būdą, užtikrinimo sąlygų patvirtinimo*) According to this document, as from 01.01.2004 the telephone subscribers will be entitled to keep their telephone numbers irrespective of their chosen service provider, place of the provision of telecommunication services and the form of telecommunication.

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Contributed by Lea Liigus, Estonia; Julija Jerneva, Latvia; Justina Gutauskaite, Lithuania. Edited by Girts Ruda.

Important seminar to be held in Vilnius

Sorainen Law Offices is pleased to invite you to
THE BALTIC BUSINESS LAW SEMINAR
to be held on 27.11.2003,
at the hotel Crowne Plaza Vilnius,
M. K. Čiurlionio 84, Vilnius, Lithuania.

The objective of the seminar is to provide businesses and business people in the Baltics with insights to the most recent and relevant business law issues. The seminar is also aimed at highlighting the foreseen changes of law and business practices following the accession of the Baltic countries to the EU.

The seminar is intended for the business leaders, financial managers, accountants, consultants and those who are active in the Baltics.

For more detailed information please visit our webpage www.sorainen.com or contact us via e-mail: sorainen@sorainen.lt.

NEWS IN SORAINEN LAW OFFICES

Sorainen Law Offices

300th acquisition case

Sorainen Law Offices have consulted on 300 company and business acquisitions in the three Baltic States since 1997. Most of the 300 acquisitions have been made during the past three years only. Furthermore about 90% of intended acquisitions have been successful. Rest 10% of the acquisitions have not been completed due to parties being unable to reach agreement on the final conditions. Less than half of these were due to the negative legal due diligence findings. In less than 5% of finalised acquisitions, our offices were involved with post acquisition disputes and by to date only approximately 10% of all acquisitions have proven to be economically unsuccessful. All-in-all our own statistics show today that a very surprising figure of almost 85% of economically viable and successful acquisitions in the Baltic States are without any major post acquisition disputes.

Tallinn office

Seminars

On 21.10.2003 legal counsel Karin Madisson and partner Kaido Loor were the main speakers at a conference "**Amendments of Law of Obligations**", organised by Kontakt Conferences OÜ and moderated by legal counsel Reimo Hammerberg. Kaido Loor depicted the traps and pitfalls in Law of Obligations and Karin Madisson spoke about the higher liability of members of management board and management agreements. Estonian business newspaper Äripäev has given respective extensive overviews of the topics discussed in its 22.10.2003, 24.10.2003 and 27.10.2003 issues.

On 27.10.2003 partner Kaido Loor gave a presentation on taxation, usual payment and delivery terms in the seminar "**Estonian-Hungarian Trade Relations**" organised by the Estonian Trade

Council and the Hungarian Investment and Trade Development Agency.

Articles

Legal counsel Nelli Loomets described the questions related to labour disputes in her article "Labour dispute – a useful experience or a painful lesson?", published in the 30.09.2003 issue of Estonian business newspaper Äripäev.

Legal counsel Risto Agur gave an overview of the possibilities to protect the minority shareholders in his article "The interests of minority shareholders can be better protected", published in the 15.10.2003 issue of Estonian business newspaper Äripäev.

The aforementioned articles can also be found at our webpage www.sorainen.com

Riga office

Major M&A deal

Sorainen Law Offices Riga office assisted Lassila & Tikanoja Oyj (a listed and leading Finnish waste management company) to purchase the largest waste management company in Latvia (A/S "Hoetika ATU") in a complex acquisition. Riga office was involved at all stages of negotiations, in the LDD process, drafting and negotiating the transaction documents including closing and post-closing matters.

Seminars

The 9th international conference "**Banking and Finance in the Baltics**" was held on 27–28.10.2003 in Riga. Sorainen Law Offices actively participated in organising one of the conference sessions - "Insolvency Problems of Clients in the Banking Sector". At this session speakers were discussing whether Baltic banks enjoy sufficient protection against client insolvency in the context of increasing volumes and number in lending and cross-border transactions. Attorney-at-Law Girts Ruda from Sorainen Law Offices (Riga) delivered a presentation "Key deficiencies and achieve-

ments in the regulation of insolvency proceedings in the Baltic countries" in this session.

Traineeship

Girts Ruda was on traineeship in the largest Austrian commercial bank Bank Austria. During the two week stage in the bank, he has acquired in-depth knowledge of banking and finances, especially capital market practices in Europe and CEE. Austrian companies are currently highly active investors in the enlargement countries and during his visit Mr.Ruda has established good contacts with a number of local law firms and companies.

Vilnius office

Seminars

On 30.09.2003 Renata Beržanskienė discoursed the Lithuanian businessmen on the Legal Aspects of Software Protection in the TVG Symposium on Software 2003.

On 14.10.2003 Kęstutis Adamonis lectured the Austrian Trade Mission in Lithuania (business delegates from Austria) during their visit to Kaunas. The topic of the lecture was Legal Aspects of Doing Business in Lithuania.

New hires

Ms. Deimantė Rinkevičiūtė has joined our Vilnius office as a General Assistant. Deimantė graduated from the Kaunas Vytautas Magnus University in 2003 and obtained the Bachelor of Political Science degree. Presently she is studying law at Vilnius University. Deimantė speaks Lithuanian, English, German and Russian.

SURVEY SHOWS THE GROWING INSOLVENCY RISKS

*By Ģirts Rūda, Attorney-at-Law
Sorainen Law Offices, Riga*

With the growing development tempo of the Baltic banking sector and the ever-increasing competition, we face a question of whether this development is not taking place at the expense of an increasingly risky approach to banking transactions. The listing of such risks or problems encountered by the banks and their cooperation partners may certainly take up quite a time, but the most topical and major risks indeed deserve some immediate discussion.

Even though the credit portfolio quality has shown a tendency for improvement, client insolvency is still the key risk for banks. The research of the banking practice in the three Baltic countries carried out by Sorainen Law Offices in October this year implies that risk mitigation is mostly achieved by mortgaging real estate or pledging movable property (company's assets). Unfortunately the real life situation rarely demonstrates cases of successful resumption of operations of the debtors; consequently the debtors' property is sold. The research shows that by selling the mortgaged real estate the Baltic banks manage to recover only the average of 75 – 90 per cent of the loan amounts. Meanwhile, for pledges of movable property this figure reaches hardly one third or one half of the credited funds, whereby the banks suffer considerable loss.

Research by Sorainen Law Offices also testifies to the fact that one of the main concerns for the creditors like banks is the cooperation with the administrators or receivers of the insolvent companies, the rights and obligations of the latter as well as the role of courts during the insolvency procedure.

The currently effective insolvency law in Latvia was adopted in 1996 and seems to pose more questions than clarifications in this respect, also if compare to other Baltic countries. Meanwhile, the insolvency legislation of the neighbouring countries has seen considerable improvements or has been adopted all anew. Thus any Baltic bank and its cooperation partners should devote more effort to identify and gradually mitigate the ever-increasing banking risks.

Full report on the banking practice in the three Baltic States, carried out by Sorainen Law Offices is available at our website. For further information please visit www.sorainen.com or contact Ģirts Rūda, e-mail: girts.ruda@sorainen.lv

COMPETITION LAW IN THE BALTICS AND EC RULES. WHY CARE?

*By Jūlija Jerņeva, Legal Assistant
Sorainen Law Offices, Riga*

New legal regime will be applicable soon. The harmonisation of national legislation with EU laws in the accession states has

been going on for years. However, the enforcement of EU law is still waiting to be tested. EU competition law is very complex – its application is not an easy task for relatively new and inexperienced national competition authorities and courts. Most commonly, the companies in the Baltic have been penalised for abuse of dominant position (every 5th case in the Baltic) and for entering into prohibited agreements (every 6th case). So what do the abuse of dominant position and prohibited agreements mean under EC law?

Abuse of dominant position. Efficient businesses are run with a view to conquering markets, to the point where they may establish very strong positions. Holding a dominant position is not wrong in itself. It is the result of the firm's own effectiveness. But if the firm exploits its power to stifle competition, this is an anti-competitive practice, which constitutes abuse. The examples of such abuses would be imposing unfair prices or other unfair trading conditions, limiting production, markets or technical development, applying dissimilar conditions to equivalent transactions with other trading parties or making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which have no connection with the subject matter of such contracts. In those circumstances, an enterprise holding a dominant position may be tempted to abuse that position to increase its income and consolidate its hold on the market by weakening or eliminating competitors and denying access to the market for new entrants. The Commission or national authorities can act against them and punish their perpetrators severely.

Prohibited agreements. Agreements of this type are prohibited in the European Community because they distort competition and are detrimental to the market participants. The most familiar example of a prohibited agreement is an agreement on prices, or cartel, whereby firms fix price levels jointly so that consumers are unable to take advantage of competition between suppliers to obtain competitive prices. The result for the final consumer is an increase in market prices. Another example of such agreements would be to allocate production quotas to firms or share markets between them.

Why bother about EC competition law? The accession to the EU will not bring complete changes to the day-to-day life of a Baltic businessman. In most of the cases national competition rules in force today will be applicable. However, when the action of a company or a group of companies reach a so-called community dimension, it will be EC law that will apply and the liability of infringement of EC competition rules will be penalised "with European dimension", since the fines can reach quite a substantial level.

Conclusion. Therefore we suggest reviewing the agreements and practice before the accession in order not to face unexpected problems.

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Trigon Capital

is a leading Central and Eastern European investment bank founded in 1994 with offices in Warsaw, Tallinn, Riga, Vilnius, and St Petersburg and representatives in other parts of the region. Trigon Capital is focused on Corporate Finance and Asset Management services.

Knowledge of the CEE markets has made Trigon Capital a leading investment bank in cross-border , financing, and transactions. A very significant number of strategic acquisitions made in the region by Scandinavian corporates have been advised by Trigon Capital Corporate Finance who have also been responsible for raising over EUR 500 million of risk capital for local companies in the region.

Trigon Asset Management focuses on investing into the European Union accession countries, distinguishing itself from its competitors by the superior ability its local presence gives to identify undervalued and under-researched small and mid-cap stocks. Investors looking for an active, value-driven investment approach are able to take exposure to the CEE region through Trigon's open-ended equity fund Trigon CEE Fund, its tailor made portfolios, venture capital vehicles and/or property investment vehicles. For more information please see www.trigoncapital.com

Swedfund International AB

offers risk capital and know-how for investments in Central and Eastern Europe, Africa, Asia and Latin America. The fund offers a broad spectrum of financial solutions (loans, guarantees, equity contribution, subordinate loans, leasing), access to an extensive international network that can provide both information and additional capital as well as their own know-how and experience from 25 years of investing in complex investment environments. The partners of the fund are primarily Swedish companies establishing or expanding their businesses in our investment countries, and in doing so they are seeking a partner with whom they can share the risk. Swedfund International AB invests in most industries, including manufacturing or service companies, with the exception of companies that manufacture or distribute weapons, tobacco and alcohol.

For more information please see web page www.swedfund.se.