

# Macedonia

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## Regulatory developments in Macedonia

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Despite the fact that Macedonia is an emerging market, which by definition faces the investors with legal, economic and political risks, the legal framework regulating securities and capital markets is rather developed and in great measure harmonised with the EU Directives in this area.

The latest impact of the harmonisation affected the current Securities Law, published in the Official Gazette no.95/2007, no.25/2007, and no.7/2008. With the intention for further harmonisation with the Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, Amendment on the Securities Law was adopted in April 2010, (the Securities Law Amendment).

Without arguing whether the mandatory disclosure through securities laws without offering any incentives for the companies (just for the benefit of the efficiency of the capital markets) shall lead to the required results, the text below emphasis the new approach in the Securities Law Amendment of disclosure requirements imposed to joint stock companies whose shares are admitted to trading on the regulated (official) market and on the regular market.

Imposed as a general requirement for the issuers to secure continuous flow of information in the public for protection of the investors, the Securities Law Amendment makes a step further in determining the scope of companies which are obliged to such disclosure. Namely, the formal criteria for the obligatory reporting by a joint stock company are altered.

Prior to the Securities Law Amendment, a company with special reporting requirements (a Reporting Company) was a company that has conducted a public offering of securities or has a principal capital in excess of €1 million in Macedonian denar equivalent and more than one hundred shareholders or is listed on a licensed stock exchange.

These companies are registered in the Registry of Reporting Companies, maintained by the Security and Exchange Commission, (SEC), supervisory authority on the capital markets. Generally, these requirements may be divided in (i) disclosures relating to the business and (ii) disclosures relating to the capital, as well as significant changes in issuer's financial position. Taking into consideration the mandatory nature of these disclosures, any default is sanctioned as a misdemeanour.

The Securities Law Amendment reduced the criteria for Reporting Company, proscribing new thresholds. Now, instead of one hundred shareholders, a company shall be considered as a Reporting Company if it has at least fifty shareholders. The requirement for the principal capital (€1 million) remains the same.

With this approach, it is expected that the number of the Reporting Companies shall increase from the current figure of about 130 to almost 180, which is directly related to the transparency and disclosures of the important information necessary for the capital markets investors.

Furthermore, the Securities Law Amendment disclosure requirements are now extended to joint stock companies that are not registered as Reported Companies, with the objective of the legislators to increase transparency in the activity of these legal entities and to provide more information to the investors in securities traded on the Macedonian regular markets.

The basis of legislator's consideration was that the shares of these companies are traded on the regular markets and may be in the investors' focus of interest, thus transparency

would add value to the volume of trading and shall provide protection for the investors through more sophisticated information about the companies.

It is now mandatory to supply a publicly available information about the total revenues, earnings before taxation, earnings per share, changes in the beneficial ownership structure of more than 10%, changes in the management bodies, any structural reorganizational changes, such as mergers, acquisitions, and new issuance of shares and any other changes that may have significant impact on the market prices of the securities.

The obligation on financial data is due within 15 days as of the adoption of the annual accounts and all other information should be made public promptly, but not later than ten calendar days after occurrence, by publishing on the website of the Macedonian Stock Exchange, as the only licensed stock exchange in Macedonia.

Joint stock companies are further obliged to publish the audited financial reports on the stock exchange's website along with the auditors' opinion, and in one daily newspaper on the territory of the Republic of Macedonia, within 15 days of its adoption by the shareholders.

Breach of these reporting requirements is considered a misdemeanour and is subject to a monetary fine between €2,500 to €5,000 for the company, and €1,000 to €2,000 for the responsible person in the company.

Disclosure of accurate, understandable and timely information for the joint stock companies is of major importance for a sustainable and trustful environment for the investors in the Macedonian capital markets, and the Securities Law Amendments is expected to achieve this target.