



## THE COUNTRY

### Moldova has a New Cabinet of Ministers and the Strongest Parliamentary Opposition in History

In September the new Moldovan cabinet was finally formed. Prime Minister Vladimir Filat promises economic reform and recovery programs, closer ties with the EU and good relationship with Russia. The four coalition parties have shared ministry seats pro rata to their mandates in the Parliament. Electoral campaigning is over. Nobody promises good times any more. The people are being told to tighten their belts.

The next political test will be electing Moldova's President on 23 October 2009. The Parliament must elect the president by 61 votes, which means that the 53 "liberal party" parliamentarians will need the support of at least 8 of the 48 Communist deputies. Former Parliament Speaker and current President of the Democratic Party Marian Lupu is the favorite candidate to become Moldova's next President, although the Party of Communists is naturally upset that Mr. Lupu had filed for political divorce during the most recent parliamentary campaign. When personal feelings mix with politics, the turnout becomes unpredictable. The people nevertheless count on the political maturity of its elected politicians and always hope for the best.

### Dispersing the Myth of Imminence of a 'Cross-Country' M&A Deal between Moldova and Romania

With the establishment of a new Parliamentary majority, the CIS-based media is talking more and more about the likelihood of Moldova merging into Romania. As lawyers, we find it that we are often asked about the same. **A forthcoming merger between Romania and Moldova is a myth.** The post-Soviet Moldovan political class is traditionally unprepared to release the supreme powers in favor of any neighboring state. The ethnically diverse population of Moldova shares one thing in common: attaining full freedom of movement in the EU. Formally becoming a territory of Romania is on no one's agenda, except for a few percent of romantic-thinking people on both sides of the Prut river. Joining the EU is a long-term goal and illusions about immediate membership are futile. The unionist talks about Romania and Moldova are not a popular topic even amongst the Romanian society. This issue is capitalized only by those forces that are interested in maintaining a tense situation around Moldova in order to justify a military presence in Transdnistria. Reshaping borders is unpopular and painful, and Governments should think about boosting business M&A activity at the level of their economies and not contemplate takeovers of new territories.

### Will Transdnistria Become an Object of another 'Cross-Country' M&A Deal?

Again, Transdnistria is another topic on which we are often asked to comment. Most recently the irreplaceable leader of Transdnistria spoke about its readiness to join Russia. Russian parliamentarians of more scandalous reputation periodically issue public statements and big-brother-type threats about the political recognition of Transdnistria. The people of Moldova are more and more tired of discussions around Transdnistria, because for the past 18 years there was only war, tension, propaganda, border and customs controls on the Transdnistrian side, contraband and money-laundering. For the past 18 years Moldova had no tangible benefit from saying that Transdnistria is its "constitutional territory", apart from a larger footprint on the regional geopolitical maps. Ukraine's quiet and indecisive stance on this issue proves that Ukraine does not mind having a heavily armed Kaliningrad/Königsberg-type territory along its European border. If not for Transdnistria, Moldova would have been much closer to the EU by now, if not a member. We like Transdnistria. Transdnistria makes great cognac and both banks of the Dniester river are most picturesque. The people of Transdnistria (ethnic Moldovans, Russians and Ukrainians) are most kind and welcoming, although often misinformed about realities of Moldova and the Western world. Russia will never let go of Transdnistria. Moldova now needs to set its priorities. The new Moldovan Cabinet created a position of Deputy Prime Minister to

deal with the Transdnistria issue. The people must be ready for a resolution of this deadlock. Will the Governments ever do what people really want instead of telling the people what they should want?

### Visa Regime for Romanian Citizens Abolished

We have reported in an earlier issue of our newsletter that on 9 April 2009 a visa regime for Romanian citizens traveling to Moldova was established, because the Moldovan authorities believed that Romanian authorities had something to do with the violent protests in Chisinau from 7 April 2009. The Moldovan authorities no longer believe that, for which reason this visa regime was abolished as of 29 September 2009. This visa regime had lasted for 5 months and 20 days and it could very well be one of the shortest visa regimes in world history among two neighboring states. These travel restrictions were indeed a serious obstacle to the enhancement of business relations between Moldovan and Romanian companies. This obstacle is now removed and the current Moldovan Government has apologized to Romania for the temporary inconvenience.

## THE FIRM

### 10th Anniversary

In mid September 2009 our firm turned ten. We thank you for being with us and we promise to be there for you during the second decade of our practice.

## STILL CARE FOR SOME LEGAL NEWS?

### Moldova to Ratify Double Taxation Treaties with Portugal, Ireland and Belgium

In September 2009 the Parliament launched the ratification of several bilateral treaties on the avoidance of double taxation and prevention of fiscal evasion in respect of taxes on income (DTTs) between Moldova, on one side, and each of Portugal, Ireland and Belgium, on the other side. Some DTTs are worthy of competing with the famous, investor favorable, Dutch and Cyprus DTTs. For instance, the Belgian DTT will provide for an exemption on tax withholding on dividends if the receiving Belgian shareholder made an investment of €1 mln into the capital of a Moldovan company. Otherwise, 5% or 10% withholding taxes on dividends will apply. The standard withholding tax under the Moldovan Tax Code would be 15% on dividends distributed on account of 2009 profits. The Belgian DTT also provides for a 5% withholding tax on interest. This could be compared to the 10% default rate under the Moldovan Tax Code. Presumably the DTTs will enter into force on 1 January 2010. We shall revert with details on the terms of these DTTs and their entry into force as and when available.

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### The Ethics of the Moldovan Customs Officers is Now Codified

Mandatory rules of professional conduct for the customs officers were approved by the Government and became effective on 7 August 2009. The Code aims to implement the highest professional standards for the customs service and to prevent the situations that could damage the good name of the custom officials. This Code establishes the rights, obligations and restrictions for the customs officials. In particular, such officials are bound by duty of confidentiality during their employment and by a statutory restriction on gifts. Impartiality, fairness, independence, loyalty, professionalism and morality are declared to be the main principles of the customs activity. Promises are made that failures to comply with the rules of professional conduct by the customs officers shall be severely enforced.

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## New Trademark Registration Regulation

On 21 August 2009 entered into force the new Regulation on procedure of filing, examination and registration of trademarks (the "Regulation"). It comes to implement the provisions of the new Moldovan Law on protection of trademarks, No. 38-XVI dated 29 February 2008 and to replace the internal regulation of AGEPI (Moldovan patent office) applicable formerly in respect of trademark issues. The Regulation contains all the details which an applicant needs to know in order to register, renew or surrender a trademark. It provides, inter alia, the data that shall be indicated in the application; the documents that shall be produced and attached to the application; the manner of application submission, division, amendment as well as the order of examination of the application by AGEPI and publication of the information related to application of trademark registration with the official IP bulletin (BOPI). There are comprehensive rules on how observations and oppositions to trademarks registration have to be given by third parties and handled by AGEPI. A separate chapter of the Regulation refers to the procedure of international registration of the trademarks under the Madrid Agreement concerning the international registration of marks and the related Protocol, replacement of a national registration with an international application and transformation of an international registration into a national application.

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## Regulation on Secondary Work of Public Servants

On 17 August 2009 the Regulation on Secondary Work of Public Servants was adopted ("Regulation"). The Regulation provides for general conditions necessary to be observed by public servants and private employers intending to hire a public servant for secondary work. The Regulation sets the right of a public servant to perform secondary work for any kind of institution, organization or company. However, some specific restrictions need to be taken into account: (i) a public servant may not perform secondary work for institutions, organizations or companies which are controlled, subordinated or whose activity is related, in any way, to the competence of the public authority in which the public servant is employed, except for the case when the public servant acts as the representative of the state in the economic entity, as well as except for scientific, creative or educational engagements; (ii) a public servant may be simultaneously a member of not more than four (4) Boards of Directors of state enterprises and not more than one Board of Directors of a joint stock company.

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## Sanitary Regulation on Food Supplements

Effective from 8 September 2009, the Sanitary Regulation on Nutritional Supplements approved by the Government aims to implement the provisions protecting the public health. In particular, this Regulation establishes the mandatory requirements related to the composition, labeling, notification and registration of food supplements. The main rules of this Regulation refer to the composition of the nutritional supplements, including the allowed and prohibited ingredients, maximum and minimum quantity of vitamins and minerals and plants or their products used for supplements' preparation. The procedure of notification and registration of the nutritional supplements and the required information to be included on the labels is also regulated. Nutritional supplements that do not comply with the requirements of the Regulation cannot be imported, stored for sale or gratuitous distribution, placed on the market and sold or gratuitously distributed in Moldova. This rule is not applicable for the nutritional supplements that were duly registered up to the Regulation. Such supplements are allowed for commercial for another year (i.e. until September 2010).

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## New Reductions of NBM Interest Rates and Mandatory Reserves for Banks

As of 8 September 2009, the National Bank of Moldova ("NBM") has established the new interest rates on monetary regulation instruments of the NBM, as follows:

- (i) 5% per annum - for the base interest rate on main short-term monetary policy operations
- (ii) 7.5% per annum - for the interest rate on overnight credits
- (iii) 2% per annum - for the interest rate on overnight deposits
- (iv) 5% per annum - for the base interest rate on long-term (over 5 years) credits

The most recent peak of these rates was established in May 2008, when the above rates were 18.5% for short-term NBM loans, 21% for overnight NBM credits and 10.5% for long-term credits. Since May 2008 these rates have been gradually reduced down to the current levels.

This is now the second reduction since we last reported about it in early August.

Also, the level of mandatory currency reserves by commercial banks with the NBM has been reduced down to 8% from 14%/12%/10% during August. This is also a consequence of periodic and gradual reductions, the most recent record high being 22% in August 2008.

The measures are intended to stimulate lending by commercial banks at reduced commercial interest rates and generally improve the liquidity of Moldovan banks

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