



New Law on Joint Stock Companies in Ukraine

On April 30, 2009 the long-awaited Law on Joint Stock Companies came into effect. The new law is a significant breakthrough in regulating activities of joint stock companies in Ukraine. The new law is expected to improve corporate governance, increase circulation of shares, improve shareholder protection, and prevent unlawful seizures in the future.

The new law defines two types of joint stock companies – a private joint stock company and a public joint stock company. The type of joint stock company should be indicated in its Articles of Association. The number of shareholders in a private joint stock company may not exceed 100 persons. However, the number of shareholders in a public joint stock company may exceed 100. The names of existing open and closed joint stock companies must be adjusted to the new terminology.

Besides, the minimum share capital of a joint stock company has been fixed at the amount of 1250 minimum wages (UAH 781.250 – ca. EUR 78.125). A public joint stock company must be registered at least with one stock exchange. Share transactions are to be made exclusively at that stock exchange.

Moreover, the law has more clearly specified the purchase process of a considerable block of shares (10%) as well as of a controlling block of shares (50%). From now on the buyer is required before purchasing these share blocks to give mandatory prior notice to the joint stock company. Besides, the notice must be made public by notifying the State Commission of Securities and Stock Market of Ukraine, stock exchanges where the joint stock company is registered, and by publication in official print media. Under the new law, the shares of a joint stock company must be issued in non-documentary form only.

One of the most important regulations of the new law applies to rights, obligations, and liability of shareholders, on the one hand, and the joint stock company on the other hand. Consequently, a court or law-enforcement bodies will not be able to seize property of a joint stock company in proceedings against its shareholders, as was possible before.

Furthermore, the new law clearly defines the procedure for holding the General Meeting. In particular, a new procedure has been introduced for shareholders to challenge General Meeting decisions. Under this procedure the court can only consider a disputed decision of the General Meeting if it violates shareholder rights. This is of particular importance in the case of ungrounded claims filed for the purpose of obstructing company activity.

The new law also provides a transition period of two years for the purpose of adjusting Articles of Association of existing joint stock companies to the new regulations.

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