

April 15, 2015

On 7 April 2015 the Verkhovna Rada of Ukraine passed the Law of Ukraine “On Amending Certain Legislative Acts of Ukraine Regarding the Protection of Investors’ Rights” (the “Law”), aimed at deregulating the economic activities of joint-stock companies and implementing stricter requirements towards listed public joint stock companies. The purpose of the changes is to increase the attractiveness of joint-stock companies to investors. Such strict requirements for public joint-stock companies seek to ensure a higher level of protection for minority investors’ rights and promote Ukraine’s compliance with the requirements of the Ukraine-EU Association Agreement.

In particular, amendments to the Commercial Procedure Code of Ukraine envisage strengthening the liability of business companies’ officials by introducing the mandatory requirement to publish resolutions on the commencement of proceedings, information on adjourning court hearings, as well as shareholder applications for appointing representatives of the claimant, on the official website of the Higher Commercial Code of Ukraine in disputes on compensation of losses caused to a business company by officials’ actions.

Only upon the written consent of all representatives of such company will it be possible to withdraw a claim, reduce a claim amount, change the subject matter or grounds of a claim, enter into an amicable agreement or withdraw an appeal or cassation claim. Further, the Law determines business companies’ officials’ actions (omissions to act) giving rise to claims for compensation of losses by companies.

The Law of Ukraine “On Joint-Stock Companies” has been amended to restore the possibility for joint-stock companies to pay dividends not only through the depositary system but also directly to the shareholders. Such method requires an applicable decision by the general meeting of shareholders, but it is less complicated and more cost effective.

Significant amendments apply to the supervisory board of a joint-stock company. In particular, members of the supervisory board of a public joint-stock company are elected by shareholders during a general meeting of the company for the duration until the next annual meeting and, if the annual meeting does not take place at the planned time, the authority of the members of the supervisory board is suspended, apart from the authority to prepare, convene and hold annual company meetings.

The redemption shares price and offered price of the redeemed shares cannot be below the duly established market value. Redeemed shares may be paid for only with currency.

The restated article governing transactions with interested parties provides that a decision to consent to such transactions is made only if the market price of property or services, or the amount of funds which are the subject matter of a transaction, exceeds 100 minimum wages based on the minimum wage rate effective as of January 1 of the current year; determines who may be considered interested parties; and provides that the charter of a joint-stock company may set a lower threshold or define specific cases of interested party transactions.

The Law is pending signature by the President of Ukraine and promulgation and will take effect on May 1, 2016

except clauses 4 (part 5, article 245 of the Civil Code of Ukraine on certification of the powers of attorney right to attend and vote at general shareholders' meetings) and 5 (removing "and location" from part 2 of Article 4 of Law of Ukraine "On Business Companies") in Section 1 both taking force on the next day after promulgation.

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