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The International Comparative Legal Guide to:

Merger Control 2014

10th Edition

A practical cross-border insight into merger control

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EDITORIAL

Welcome to the tenth edition of *The International Comparative Legal Guide to: Merger Control*.

This guide provides corporate counsel and international practitioners with a comprehensive worldwide legal analysis of the laws and regulations of merger control.

It is divided into two main sections:

Five general chapters. These are designed to provide readers with a comprehensive overview of key issues affecting merger control, particularly from the perspective of a multi-jurisdictional transaction.

Country question and answer chapters. These provide a broad overview of common issues in merger control in 52 jurisdictions.

All chapters are written by leading merger control lawyers and industry specialists and we are extremely grateful for their excellent contributions.

Special thanks are reserved for the contributing editors Nigel Parr and Catherine Hammon of Ashurst LLP for their invaluable assistance.

Global Legal Group hopes that you find this guide practical and interesting.

The *International Comparative Legal Guide* series is also available online at www.iclg.co.uk.

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1 Relevant Authorities and Legislation

1.1 Who is/are the relevant merger authority(ies)?

The Kosovo Competition Authority (“CA”) is a public independent institution that performs its duties in accordance with Law no. 03/L-229 “On the Protection of Competition” (“Competition Law”) and is accountable to the Assembly of the Republic of Kosovo. The work of the CA is managed by the Commission for the Protection of Competition, which is composed of five members, one of which is the President of the Commission.

The members are Kosovan citizens selected upon approval by the Assembly of the Republic of Kosovo for a five-year term.

The Kosovo Competition Commission has the responsibility and authority to enforce the law and promote competition among entrepreneurs and protect consumers in Kosovo.

1.2 What is the merger legislation?

Mergers in the Republic of Kosovo are governed by the Competition Law. In addition, during 2012, the Government of Kosovo approved several administrative acts for the implementation of the Competition Law, such as:

- Administrative Instruction no.04/2012 “On the form and content of legitimacy”.
- Administrative Instruction no.05/2012 “On criteria and terms for determining agreements of minor importance”.
- Administrative Instruction no. 06/2012 “On forms for submitting requests and criteria for determining the concentration of enterprises”.
- Administrative Instruction no. 07/2012 “On criteria to reduce or release administrative measures”.

1.3 Is there any other relevant legislation for foreign mergers?

Kosovan legislation does not provide specific guidelines that would exempt foreign mergers. The merger control rules apply to foreign mergers when the jurisdictional thresholds are met (see question 2.6 below).

1.4 Is there any other relevant legislation for mergers in particular sectors?

The Competition Law does not provide for different thresholds for specific sectors. In addition to Competition Law provisions that are

applicable to all undertakings, mergers in some sectors are conditioned by prior notifications or approvals, (i.e. mergers in the banking and insurance sector, energy sector, or telecommunication sector). When such mergers are to take place, notification or approvals should be made to or obtained by the relevant authorities, such as the Central Bank of Kosovo, the Energy Regulatory Office, or the Regulatory Authority of Electronic and Postal Communications.

2 Transactions Caught by Merger Control Legislation

2.1 Which types of transaction are caught - in particular, how is the concept of “control” defined?

Pursuant to the provisions of the Competition Law, the types of transaction that are caught by merger control legislation are those that result in a concentration of enterprises. A concentration is created by establishing permanent control through: (i) the merger of two or more independent enterprises or parts of these enterprises; and (ii) the acquisition of direct or indirect control, or influence over the activities of one or more enterprises or parts of enterprises by: (a) taking over the majority of shares or a part of them; (b) taking over the majority of voting rights; or (c) in any other way envisioned by the laws in force and other regulations.

Control is defined as the acquisition of rights, contracts or other acts through which one or more enterprises, either individually or together, taking into consideration all legal and factual circumstances, acquire the ability to achieve decisive influence over the activities of an enterprise.

2.2 Can the acquisition of a minority shareholding amount to a “merger”?

In order to amount to a merger, the acquisition of a minority shareholding should result in the acquisition of direct or indirect control over the target. An undertaking is deemed to have control over the target when it can exercise permanent and decisive influence over the target’s activities.

In case the acquired minority shareholding does not grant any control over the target, it would not amount to a “merger” and no filing would be required.

2.3 Are joint ventures subject to merger control?

Joint ventures are subject to merger control insofar as they result

from the merger of one or more independent enterprises and work on a permanent basis as independent economic subjects.

2.4 What are the jurisdictional thresholds for application of merger control?

A concentration of enterprises is subject to the clearance and approval of the CA if the following jurisdictional thresholds are met:

- i. the aggregate income of all the participating undertakings in the international market exceeds one hundred (100) million Euros, based on financial reports of the financial year preceding the year of the concentration, and if at least one of the participating undertakings is located in the Republic of Kosovo; and
- ii. the general income in the Kosovo domestic market of at least two (2) of the participating undertakings, exceeds three (3) million Euros based on financial reports preceding the year of the concentration.

The Competition Law does not clearly specify the methodology for calculating the turnover of the participating undertakings for purposes of this jurisdictional threshold. It only provides that income from the sale of goods or services made between undertakings that are part of a group are not taken into consideration in the calculation of the total annual turnover. If, at the time of the notification, the financial statement for the preceding year is not available, the relevant turnover will be that achieved in the year for which the last financial statement has been prepared.

Article 66 of the Competition Law provides that the law shall be implemented in pursuance to the Directives of the EU on competition. It may be assumed that the CA will refer to the EU laws if Kosovo Competition Law lacks clarity.

2.5 Does merger control apply in the absence of a substantive overlap?

The Competition Law does not provide whether merger control applies also in the absence of a substantive overlap. However it may be inferred that, provided the jurisdictional thresholds are met, participants must notify the CA, even when the merger appears to not raise any competition concerns.

2.6 In what circumstances is it likely that transactions between parties outside Kosovo ("foreign-to-foreign" transactions) would be caught by your merger control legislation?

Foreign-to-foreign mergers become subject to Kosovan merger control rules when the jurisdictional thresholds are met and when such acts have an impact in Kosovo. A transaction, besides meeting the thresholds, also needs to have an effect in Kosovo in order to trigger a filing obligation.

2.7 Please describe any mechanisms whereby the operation of the jurisdictional thresholds may be overridden by other provisions.

See question 1.4 above.

2.8 Where a merger takes place in stages, what principles are applied in order to identify whether the various stages constitute a single transaction or a series of transactions?

The provisions of the Competition Law imply that the notification

obligation is triggered at the moment of the acquisition of the share that allows the acquirer to exercise decisive influence over the target's business activities, thus when the acquirer has established permanent control over the target.

Furthermore, pursuant to the provisions of the Competition Law, two or more agreements (concentrations) between the same undertakings carried out within a period of two years will be deemed as one concentration, when meeting the threshold criteria.

3 Notification and its Impact on the Transaction Timetable

3.1 Where the jurisdictional thresholds are met, is notification compulsory and is there a deadline for notification?

The notification of a merger is compulsory where the jurisdictional thresholds are met. The Competition Law and the relevant administrative instructions specify that the notification must be filed with the CA after the parties have entered into an agreement and once they make the prospective transaction public. However, the filing must be made prior to the implementation of the transaction. The parties may also submit a merger notification before concluding a contract by submitting with the notification a signed letter of intent.

3.2 Please describe any exceptions where, even though the jurisdictional thresholds are met, clearance is not required.

Pursuant to the Competition Law, clearance is not required in the following cases:

- (i) purchase of the shares of an enterprise by financial institutions, loan and insurance institutions, resale, for as long as they do not practice the right to vote for the shares they own and under the condition that their resale takes place within twelve months from the purchase;
- (ii) purchase of shares or parts of shares as a result of enterprise internal restructuring and related to joint-control takeover, merging, and transfer of property; or
- (iii) when the control over the enterprise is transferred to the bankruptcy manager or the liquidator in compliance with the provisions of laws in force.

3.3 Where a merger technically requires notification and clearance, what are the risks of not filing? Are there any formal sanctions?

Failure to follow the merger notification requirements or entering incorrect or false information in the concentration assessment procedure submitted to the CA, shall result in a fine amounting to 2% of the total annual turnover for which the last financial statements have been prepared.

If an implemented concentration adversely affects competition on the market and creates or strengthens a dominant position, it could be subject to a fine of up to 10% of the total annual turnover for which the last financial statements have been prepared. In addition, the CA may take measures to unwind the implemented concentration.

3.4 Is it possible to carve out local completion of a merger to avoid delaying global completion?

The Competition Law and the administrative instructions issued for

its implementation do not provide for the carving out of local completion.

3.5 At what stage in the transaction timetable can the notification be filed?

The notification is filed with the CA for assessment upon concluding a contract which results in acquiring control over an enterprise or part of enterprise and after public disclosure of the transaction, but prior to its implementation.

The participants of a merger may submit a notification on the objective of the concentration prior to signing the contract and prior to announcing the concentration publicly, if they respectively certify that there are real expectations that the agreement will be entered into or that the public announcement of the concentration will take place.

3.6 What is the timeframe for scrutiny of the merger by the merger authority? What are the main stages in the regulatory process? Can the timeframe be suspended by the authority?

Upon receiving notification of a potential concentration, the CA commences the process of merger control. The CA has thirty days to render a decision clearing the merger or not clearing the merger based on the documents filed by the applicant. The CA issues a certificate of completeness to confirm that a notification has been properly submitted.

The issuance of the certificate triggers a thirty-day deadline, within which the CA may issue a conclusion to initiate further investigation proceedings when it finds that the proposed concentration may adversely affect competition on the market, or create, or strengthen an existing dominant position. If no decision is issued within the thirty-day deadline the concentration will be deemed cleared and the applicant is entitled to request written confirmation on the clearance from the CA.

If the CA issues a decision calling for further investigation proceedings, it may enter into such proceedings for an additional sixty-day period. Upon conclusion of the investigation the CA will issue a decision on whether to: (i) approve the concentration; (ii) approve the concentration with conditions and obligations; or (iii) prohibit the concentration.

3.7 Is there any prohibition on completing the transaction before clearance is received or any compulsory waiting period has ended? What are the risks in completing before clearance is received?

A concentration of enterprises which may significantly damage competition, especially when such concentration results in strengthening a current dominant position or creating a new dominant position should be notified and cleared with the CA.

If a concentration which adversely affects competition on the market, or creates or strengthens a dominant position, is implemented without clearance, it could be subject to a fine of up to 10% of the total annual turnover for which the last financial statements have been prepared. In addition, the CA may take measures to unwind the implemented concentration.

3.8 Where notification is required, is there a prescribed format?

The CA has not yet published a standard notification form.

However, the required information that should be included in the notification form is set out in the administrative instruction no. 06/2012. Specifically, the notification should contain the following information:

- signature or name, place and type of activity of the applicant;
- signature or name, place and type of activity of all parties to the concentration;
- name and authority of the agent or representative who submits the application as representative of the applicant;
- name, address, telephone number, fax number and email address of the person that the applicant has appointed as the person responsible for contacts and cooperation with the CA, if this person is different from the person who submitted the request;
- detailed description of the legal form of the concentration;
- legal basis for the concentration (document name, business number, address or name of the parties in legal concrete works, place and date of the legal affairs) such as: (i) the concentration agreement; (ii) the attachment agreement or relevant decision of the enterprise body; (iii) the agreement on acquiring shares or parts of the company; (iv) the management agreement; (v) the profit transfer agreement; (vi) the decision to amend the status, social arrangements or any other act by which a participant gives a decisive influence; (vii) the agreement on lease property through which any of participants is given decisive influence; (viii) public offerings; or (ix) agreement for joint investment;
- annual financial statement for the previous year and other reports in which the financial condition of the participants who submitted the request is clearly shown;
- total annual operating revenues of the participants to the concentration, after deduction of VAT and other taxes directly related to trade and discounts submitted separately for each of the concentration participants in (i) the international market, and (ii) the Kosovan market;
- relevant markets in which the parties in the concentration operate and the enterprises under their control or companies that control them and an evaluation of their market shares before and after the implementation of the concentration;
- listing and evaluation of market shares, profit, and the main competitors of the participants in the concentration agreement in the relevant market;
- structure of the holders of shares or parts of the company which acquires control or dominant influence before and after implementation of the concentration (expressed in a percentage);
- list of other enterprises in the relevant market in which the parties in the concentration individually or together have 10% or more of the capital shares or 10% or more of the voting rights with a brief description of the main activities of the enterprises;
- list of all the enterprises in the relevant market in which members of the board of directors or supervisory board members of either party in the concentration are also members of the management board or supervisory board, with a brief description of the important activities of those enterprises;
- references to other authorities competent to examine the concentration outside the territory of Kosovo where the parties have introduced a request for consideration of the concentration or aim to introduce such a request;
- detailed descriptions of the structure of distribution and sales of retail products or services in the relevant market;
- description of the investments and research conducted or intended to be realised in the development of the concentration agreement by each participant (form and type

of investment or research, their importance in the production, supply of goods and / or services in the relevant market, the amount of funds that were invested, or that will be invested);

- legal and economic reasons for the concentration agreement;
- description and a detailed explanation of the expected benefits that will arise from the implementation of the concentration in terms of the consumers' interests particularly:
 - i. reduction in the price of products and / or services;
 - ii. increase in product quality and / or services;
 - iii. introduction of innovations (inventions); and
 - iv. growth and expansion of opportunities for the product selection and / or services to consumers;
- signature of the person responsible for the accuracy of the data in the request; and
- place and date of delivery.

Besides the above-listed information, the CA may require additional data if it is considered necessary for the assessment of the concentration.

3.9 Is there a short form or accelerated procedure for any types of mergers? Are there any informal ways in which the clearance timetable can be speeded up?

A merger notification can be submitted in a "short form" when:

- the participants to the concentration are not active in the same geographic and product market and when there is no horizontal agreement between them;
- the participants do not operate on markets which affect each other and there is no vertical agreement between them;
- the participants to the concentration operate in the same relevant market but their joint market share does not exceed 15%, or if the participants operate on markets which affect each other but their market shares do not exceed 25%; and
- in case of a transfer from joint to sole control, or when two or more undertakings, which do not have significant activities in Kosovo, take control of a joint venture, or when such activities are not foreseen within a reasonable time period.

Please see question 3.6 above for further details on the timeframe process.

The informal way in which the clearance timetable can be sped up is by submitting all the required documents on time.

3.10 Who is responsible for making the notification and are there any filing fees?

Whenever an enterprise takes over control or gains a decisive influence over another enterprise or part of another enterprise, the notification of the concentration is made by the enterprise that takes over control. In other cases, all the participants of concentration submit the notification in accordance with their joint agreement.

Pursuant to the administrative instruction no. 06/2012, a fee of EUR 100 applies to the notification filing and a fee of EUR 3,000 applies for obtaining clearance of the concentration.

3.11 What impact, if any, do rules governing a public offer for a listed business have on the merger control clearance process in such cases?

The Competition Law does not provide for any specific regulation for the treatment of mergers in cases of listed businesses. In these cases the general rules are applicable.

3.12 Will the notification be published?

Upon receiving a merger notification, the CA publishes on its website a public notice for all interested parties. The notice contains the type of activities performed by the participants in Kosovo, the effects of the concentration on the market and an invitation to all the parties that have specific knowledge of the relevant market to provide their comments, positions and opinions concerning the possible effects the concentration may have on their activities.

The submitted notification will not be published; however the decision taken by the CA on the concentration will be published.

4 Substantive Assessment of the Merger and Outcome of the Process

4.1 What is the substantive test against which a merger will be assessed?

The substantive test against which a merger will be assessed from the CA is the considerable restriction of the competition in the market.

Upon its assessment on whether to allow the concentration, the CA shall confirm (i) its effect in the market competition and possible obstacles to entering the market (especially when the concentration creates a new dominant position or strengthens an existing dominant position), (ii) the structure of the relevant market and any existing or possible future competitors, (iii) the structure and selection of the market offer and demand, (iv) the position, market participation and economic and financial power of the enterprise in the relevant market, and (v) the level of competitive capability of the participants in the concentration, etc.

4.2 To what extent are efficiency considerations taken into account?

The CA may take into consideration the economic efficiency if the concentration results in the:

- reduction of production or distribution costs, improvement of efficiency, improvement of products or production processes, encouragement of research for the development and dissemination of technical or professional knowledge, rational exploitation of resources or encouragement of the development of small and medium enterprises;
- more direct participation of consumers or users in these advantages; and
- no significant limitations to competition.

4.3 Are non-competition issues taken into account in assessing the merger?

The Competition Law is silent in this regard and there is no practice to indicate whether the CA would take into account non-competition issues when assessing a merger.

4.4 What is the scope for the involvement of third parties (or complainants) in the regulatory scrutiny process?

Upon receiving the notification on the objective to execute a concentration, the CA publishes on its website a public notice for all interested third parties to submit their written remarks on the opinions for the execution of the concentration, so that the gathered

information provides a better assessment of the situation in the relevant market. The deadline for the submission of such remarks is fifteen days after the publication of the notice.

4.5 What information gathering powers does the regulator enjoy in relation to the scrutiny of a merger?

The CA has various powers relating to the process of gathering the documents once an investigative procedure has been initiated.

Such powers consist in: (i) entering and performing inspections on all business premises, open depots and means of transportation at the residence of the enterprises against which the procedure is being carried out, as well as at any other address where the enterprise operates; (ii) checking company books and other documents related to the operation of the enterprise; and (iii) obtaining and/or copying company books and other documents or excerpts from company books and other documents, in electronic form or otherwise, etc.

4.6 During the regulatory process, what provision is there for the protection of commercially sensitive information?

During an unannounced inspection, letters, notes and other forms of communications which are considered secret information are excluded from the documentation which is being inspected.

Moreover, the employees of the CA are obliged to keep trade secrets even after five years from the termination of the employment contract with the Competition Authority.

When assessing whether certain information presents a trade secret, the CA shall take into consideration: (i) possession of such information outside of the enterprise; (ii) measures taken by the enterprise itself to protect the confidentiality of such information, in particular, the clause on the prohibition of non-competitiveness or on prohibition of publication of information included in employment contracts and the like; and (iii) the value of such information to the enterprise and its competitors.

5 The End of the Process: Remedies, Appeals and Enforcement

5.1 How does the regulatory process end?

The CA may make the decision to: (i) approve the concentration; (ii) approve the concentration with conditions and obligations; or (iii) prohibit the concentration.

5.2 Where competition problems are identified, is it possible to negotiate "remedies" which are acceptable to the parties?

Concentrations presenting certain competition problems may be cleared in accordance with certain conditions. In such cases, the CA notifies the enterprise that has submitted the notification, no later than thirty days from the date of receiving the notification, and proposes the appropriate measures for monitoring the business, and/or structural measures and conditions that should eliminate the negative effects of the concentration.

The appropriate remedies may be submitted pre-emptively by the enterprise that has submitted the notification, or they may be included in the notification on the objective for execution of concentration.

If the CA does not accept or only partially accepts the remedies proposed by the participants to the concentration, it is authorised to specify other measures including but not limited to the monitoring of activities.

5.3 To what extent have remedies been imposed in foreign-to-foreign mergers?

Foreign-to-foreign mergers are examined by the CA when the criteria provided in the Competition Law are met. However there are no guidelines which would exempt certain foreign mergers or provide remedies in such a case.

5.4 At what stage in the process can the negotiation of remedies be commenced? Please describe any relevant procedural steps and deadlines.

See question 5.2 above.

5.5 If a divestment remedy is required, does the merger authority have a standard approach to the terms and conditions to be applied to the divestment?

The Competition Law does not have any provisions regarding divestment remedies and the practice is yet to be developed.

5.6 Can the parties complete the merger before the remedies have been complied with?

The parties may not complete the merger before the remedies have been complied. The CA may allow the execution of specific actions when deemed necessary. However, this practice remains to be tested.

5.7 How are any negotiated remedies enforced?

The law is silent on this specific point. However the general punitive measures and fines that relate to the implementation of a concentration that has not received clearance would apply.

5.8 Will a clearance decision cover ancillary restrictions?

The Competition Law does not have any provisions specifying ancillary restrictions. Nevertheless, restrictions that are directly related and necessary to the implementation of the merger will be covered by the decision clearing the merger if they are mentioned in the notification.

5.9 Can a decision on merger clearance be appealed?

A decision of the CA may not be appealed, but an administrative conflict may be initiated by filing a lawsuit at the competent Court of Kosovo.

5.10 What is the time limit for any appeal?

The party may initiate an administrative conflict within a period of thirty days from the issuance of the decision by the CA.

5.11 Is there a time limit for enforcement of merger control legislation?

The CA cannot initiate a fining procedure or determine fines after the five-year period from the date of the breach of the Competition Law.

The statute of limitations starts from the date when the enterprise has received in a regular manner the final court decision, or from the day of reception of the binding decision made by the CA, if the party did not submit an appeal against that decision.

The above-mentioned statute of limitations is discontinued by any action undertaken from the competent bodies applying punitive measures. After each discontinuation, the statute of limitation starts running again, but the procedure of applying punitive measure cannot be extended beyond a total period of ten years.

6 Miscellaneous

6.1 To what extent does the merger authority in Kosovo liaise with those in other jurisdictions?

The Law on the Protection of Competition is the only law governing the merger control in Kosovo. The law stipulates that its implementation should be in conformity with European Union Directives on competition.

The CA has signed a memorandum of cooperation with the competition authorities of Albania and Macedonia and there is a willingness to cooperate with other countries in this regard.

Furthermore, the CA is a member of the International Competition Network.

6.2 Are there any proposals for reform of the merger control regime in Kosovo?

There is a draft law amending and supplementing the Competition Law which is currently being examined by the Government of Kosovo and is expected to be submitted to the Assembly of Kosovo for approval.

6.3 Please identify the date as at which your answers are up to date.

Our answers are up to date as of October 2013.

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Boga & Associates, established in 1994, has emerged as one of the premier law firms in Albania, earning a reputation for providing the highest quality of legal, tax and accounting services to its clients. The firm also operates in Kosovo (Pristina) offering a full range of services. Until May 2007, the firm was a member firm of KPMG International and the Senior Partner/Managing Partner, Mr. Genc Boga, was also Senior Partner/Managing Partner of KPMG Albania.

Our firm's particularity is linked to the multidisciplinary services it provides to its clients. Apart from the widely consolidated legal practice, the firm offers also a significant expertise in tax and accounting services, with a keen sensitivity to the rapid changes in the Albanian and Kosovar business environment.

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The firm is continuously ranked by Chambers and Partners as a "top tier firm" for Corporate/Commercial, Dispute Resolution, Projects, Intellectual Property and Real Estate, as well as by IFLR in Financial and Corporate Law. The firm is praised by clients and peers as a "law firm with high-calibre expertise" and is distinguished "among the elite in Albania" and as "accessible, responsive and wise".

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