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SHAREHOLDER RIGHTS, EQUITABLE TREATMENT AND THE ROLE OF THE STATE

Shareholder Rights: in Moldova

By

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Introduction

Structure of corporate ownership

Legislation of the Republic of Moldova has established formal criteria to classify a person as a shareholder. Such person shall become a shareholder of the moment of acquisition of title to hold one or more shares of the company. The title to registered securities shall be transferred to a buyer:

- of the moment of entering of respective information into a register of holders of the company's securities or into records of a nominal securities holder pursuant to order established by applicable legislation;
- of the moment of issuing of securities certificate to a shareholder after making an appropriate record in his personal registration account maintained in the register (in case of registration of securities in the register);
- of the moment of making of records in his personal registration account maintained in the register after issuing respective securities certificate to a nominal holder, whose client is a buyer (in case of registration of securities with a nominal holder);

The aforesaid legislation stipulates the right of several persons to own one share, however in this case they shall be deemed as one shareholder of the company. Such norm shall regulate only one part of the bigger problem, in particular, common title of different persons to one or more shares. Several persons may own one or more shares (blocks of shares) on the basis of common title (ownership right). Persons holding one share on the basis of a respective title may use their rights through a respective representative. In this context, the word "may" shall mean "have the right", i.e. such persons shall have the right either to independently use the shareholder's rights or to transfer, partially or fully, their powers to a respective representative thereof.

Who can be a shareholder?

Moldavian legislation stipulates the list of subjects empowered to be shareholders of Moldavian joint stock companies. Such list shall include:

- individuals and legal entities of the Republic of Moldova;
- individuals and legal entities of other states;
- persons without citizenship;
- international organizations;
- foreign states;
- public authorities.

In accordance with general rule, the aforementioned list shall be of exhaustive nature.

Corporate amalgamations

Actually, Moldavian legislation allows joint stock companies to create different corporate amalgamations, such as: associations, concerns, syndicates and holdings. However, legislators of the Republic did not develop and approve any normative acts regulating such types of amalgamations. The Regulation of the Government "On Approval of Temporary Provisions on Holdings" dated July 26, 1994 shall be only normative act governing the creation of amalgamations.

In reality, many Moldavian companies could consolidate their efforts in order to achieve certain results of their activities. This possibility shall be also favored by the fact that the same shareholders hold shares in several joint stock companies. In doing so, such joint stock companies carry out different types of activities, for example: bank and insurance company or educational institution and construction company. Weak financial-industrial sector in the Republic shall be a consequence of absence of a thoroughly developed normative base. As a rule, financial institutions of Moldova are not in a hurry to create any amalgamations with joint stock companies. As a rule, they act as shareholders and buy out state shares.

Shareholders' rights and their protection

A joint stock company shall be itself an owner of its property. A shareholder shall be an owner only of one or more shares of the company.

If a shareholder makes contribution on account of the payment for shares, it is assumed that such shareholder shall lose his right to said contribution and, respectively, the company shall itself acquire the right thereto (an exception is applicable, when the contribution has been made in kind and with the right of use thereof). The failure of the shareholder to get the title to a property of joint stock company, including on the basis of a general rule, and to its own contribution made on account of the payment for shares, shall be "compensated" by legislators by way of providing the shareholder with a package of property and non-property rights.

Rights of shareholders

The package of such rights may be divided into three groups:

- cumulative rights of shareholders, which may be owned by any shareholder (general rights);
- cumulative rights, which may be owned on the basis of certain size of block of shares held by the shareholder (additional rights);
- cumulative rights, which may be owned on the basis of class of shares owned by the shareholder (special rights).

General rights

Any shareholder holding either common or privileged shares may exercise general rights of shareholders, which do not depend on the number of shares owned thereby.

Therefore, general rights of shareholders shall include:

a) to participate in general shareholders' meeting, elect and be elected to the governing bodies of the company.

Such shareholder's right shall assume the use of voting right by participating in decision making process at the general shareholders' meeting on the basis of the following voting principle: one voting share = one vote. The voting right of the shareholder shall stipulate the possibility to transfer his votes depending on the principle used in the process of voting for candidates to the membership of any governing body of joint stock company. For example, when using the commulative principle of voting, the shareholder may transfer all his votes provided by the shareholder's shares to the benefit of one candidate to the membership of the Board, or may share such votes equally or otherwise among several candidates to the membership of the company's Board.

The right of the shareholder to be elected to the governing bodies of joint stock company means that the shareholder may be a candidate to the membership of the company's Board, executive body or audit

committee. In doing so, the law shall stipulate the possibility of shareholders to nominate themselves to the membership of the company's Board, audit committee and executive body. The nomination of shareholder to the membership of the company's Board or audit committee (including in the case of self-nomination) shall be possible only, if such nomination requirement has been stated by shareholders (shareholder) holding at least 5 per cent of voting shares of the company.

The procedure for electing a shareholder to the executive body shall depend on the governing body of joint stock company, which is empowered to elect the executive body: the company's Board or general shareholders' meeting. The Board of the company may elect the executive body, if such right has been delegated thereto on the basis of the charter. If the right to elect the executive body has not been delegated to the company's Board pursuant to the charter, such issue shall be within the alternative competence of the general shareholders' meeting, however in this case the nomination (self-nomination) of the shareholder to the position of head of the executive body shall not require from the nominating person to have at least 5 per cent of the company's shares with voting rights.

b) familiarize with materials related to the agenda of the general shareholders' meeting.

The right of a shareholder to review the agenda materials shall correspond to a duty of the joint stock company to provide shareholders with the possibility to review all materials related to the agenda of the general shareholders meeting at least 10 days prior to convening thereof. Such materials shall include:

- list of the shareholders holding the right to participate in the annual general shareholders' meeting;
- annual financial report of the company, annual report of the company's Board and annual report of the audit committee;
- conclusion of the company's audit committee and (or) act of audit and conclusion of the audit organization, as well as acts of audits and resolutions of state bodies carrying out audits and taking control over the company's activities in a respective reporting year;
- information on candidates to the membership of the company's Board and audit committee thereof;
- draft of changes and amendments to be made to the charter of the company or draft of the chart as restated and amended, as well as drafts of other documents to be approved by the general meeting;
- information on the amount and average prices of transactions registered in the register of holders of the company's securities per each month of a respective reporting year.

Such list shall not be of an exhaustive nature and may be extended by the company's charter or legislation on securities.

c) to review and make copies from the company's documents, which may be accessed pursuant to law, charter or regulations of the company.

A joint stock company must provide any shareholder with protocols of the Board's meetings and protocols of general meetings, list of the Board's members, members of the executive body and other officers of the company, annual reports of the company's Board and annual reports of the audit committee, correspondence with shareholders, etc. In doing so, the list of said documents shall not be of an exhaustive nature and may be extended by the charter or regulations of the company. However, the irrevocable right to review such document shall differ from the right to take excerpts and make copies. In accordance with legislation it is not allowed to take excerpts and make copies from the documents considered as a state secret or commercial secret of the company.

d) obtain declared dividends in accordance with classes of shares and in proportion to a number of shares held by a respective shareholder.

Such right shall be one of the fundamental rights of the shareholder. The law shall specify different types of dividends. Therefore, for example, fixed and unfixed dividends may be paid on privileged shares. Fixed dividends shall be established in the fixed amount per share or fixed interest to a nominal value of the share.

A joint stock company shall have the right to pay out interim (quarter, semi-annual) and annual dividends. It means that monthly dividends may not be paid.

Regardless of their type, the joint stock company may not guaranty the payment of dividends, since such payment shall depend on the net profit available to the company.

e) alienate his own shares, pledge them or transfer to a custody.

Such right shall be one of the major property rights of shareholders. The right of alienation of shares may be of a limited nature depending on the type of a company: shareholders of open joint stock companies shall have the right to alienate their shares without any limitation, while the same right of shareholders of closed joint stock companies shall be limited by a preemptive right of other shareholders or company itself to acquire the shares, which are subject to alienation.

The shares, which are considered as a subject of civil rights, may be alienated in accordance with norms of the Civil Code of the Republic of Moldova. However, in order to assign the title to shares it is not sufficient only to enter into a sale-purchase agreement, it is also necessary to obtain additional legitimacy called in legislation on securities as “transfer” of shares. The title to registered securities shall be transferred from one person to another on the basis of a transfer order (in case of registration of securities in the register) or order issued to a nominal holder (in case of registration of securities with a nominal holder), all of them are made pursuant to an order established by the National Committee on Securities. Securities may be pledged on the basis of a pledge agreement.

The use of the shareholder’s right to transfer his shares to the custody shall be interfered with the failure of Moldavian civil legislation to determine the institute of custody. The possibility to transfer shares to a trust company may be used only in respect of block of shares owned by joint stock companies created in the process of privatization of state enterprises.

f) to require the redemption of shares owned thereby in cases stipulated by law or charter of the company.

The right of the shareholder to require the redemption of shares owned thereby shall correspond to a duty of a joint stock company to implement such redemption. The joint stock company must redeem the shares placed by the latter in the event of:

- maturity of redemption of shares stipulated in a decision on their issue, or
- making of changes, which limit the shareholders’ right, including in connection with transformation of an open joint stock company into closed one, to the company’s charter,
- implementation of the large transaction on the basis of a resolution of the general shareholders’ meeting,
- reorganization of the company on the basis of a resolution of the general shareholders’ meeting.

However, the possibility of the shareholder to use his right shall be limited. The shareholder may require the redemption of his shares, if such shareholder:

- was not allowed without lawful grounds to participate in the general shareholders’ meeting, where one of the following resolutions has been approved:
 - resolution to make changes, which limit the shareholders’ right, including in connection with transformation of an open joint stock company into closed one, to the company’s charter, or
 - implementation of the large transaction on the basis of a resolution of the general shareholders’ meeting,

- reorganization of the company on the basis of a resolution of the general shareholders' meeting.
- voted against the approval of such resolution and required such information to be reflected in a minutes of the general meeting and list of shareholders having the right of redemption of shares owned by such shareholders.

Therefore, the use of such shareholder's right shall depend on the existence of at least two aforesaid conditions.

The resolution to redeem the company's shares shall be approved by the general shareholders' meeting or Board of the company within their competence specified by the charter. Such norm means that in accordance with the charter such issue must be assigned to an exclusive competence of the general shareholders' meeting or exclusive competence of the company's Board.

Shares shall be redeemed on the basis of respective applications submitted by respective shareholders. The term of submission by the shareholders of applications on the redemption of their own shares shall be determined by the company's charter and must be at least two months of the date of approval by the general shareholders' meeting or company's Board of one of the resolutions pursuant to which the company must redeem the shares.

Moldavian legislation shall also stipulate the limitation of such shareholder's right of the shareholder. In connection therewith, the shareholder may not require to redeem his shares:

- in cases, when said shares are listed on the stock exchange, as well as
- in case the decision to liquidate the company has been made;
- to obtain a share of the company's property in case of liquidation thereof;
- to use other rights stipulated by law or charter of the company.

g) obtain a share of the company's property in case of liquidation of the company.

When liquidating the company, its property left after settlements with creditors shall be distributed among shareholders by the liquidation committee pursuant to the following order of priority:

- 1 payments on shares to be redeemed;
- 2 payment of declared but outstanding dividends on privileged shares and liquidation value of such shares;
- 3 payments on common shares.

In dosing so, payments of the next priority shall be made after making all payments related to a previous one. If the property left after liquidating the company is not sufficient to make all payments of the first or second priority, such payments shall be made within the first or second priority pursuant to classes of shares and in proportion to a number of shares of the first or second priority.

h) exercise other rights stipulated by law or charter of the company.

Other rights may be stipulated either by legislation itself (for example, the right of any shareholder to require the convening of the regular general shareholders' meeting, if the Board of the company failed to inform shareholders on convening the annual meeting or failed to hold thereof; the right of any shareholder to appeal before a respective court against the avoidance of the company's Board to make a decision or its refusal to convene the general meeting, etc.) or by charter.

Additional rights

The competence and content of additional rights towards the holders of voting shares shall depend on the size of block of the shares owned by one or more shareholders. In order to obtain appropriate additional

rights, the shareholders may consolidate their votes in one claim, if each separate shareholder has not necessary percentage of votes to use such rights. The law shall differentiate:

- additional rights of the shareholders that own at least 5 per cent of voting shares of the company;
- additional rights of the shareholders that own at least 10 per cent of voting shares of the company;
- additional rights of the shareholders that own at least 10 per cent of voting shares of the company;

Special rights

Special rights shall be related to a package of rights of the shareholders that do not own voting shares. The latter may:

- a) by participating in the general shareholders' meeting to express their opinion regarding the issues on agenda of the general shareholders' meeting on a par with shareholders holding voting rights, after the agenda has been voted at the general shareholders' meeting. Such right shall not be valid, when the chairman of the meeting offers to vote for the whole agenda at once.
- b) participate in discussing issues on agenda, as well as to vote for them. Such right shall be given to a holder of privileged shares with fixed dividends in the event of:
 - failure to pay fixed dividends on cumulative or partially cumulative shares during the term stipulated in the charter. In such a case, the right to vote shall be invalidated after the payment of generated dividends to the full extent;
 - approval by the general shareholders' meeting of a decision to change the rights of privilege shares holders in connection with transformation of an open joint stock company to a closed one, reorganization or liquidation of the company, additional issue of privileged shares of another class, which provide its owners with additional rights vis-à-vis holders of placed privileged shares, or on the basis of other reasons stipulated by legislation on securities or in the charter of the company.

Protection of rights and legal interests of shareholders

The rights of shareholders shall be secured by the state, including by way of adopting respective norms directly aimed at protecting their legal rights and interests. Such norms shall be set forth in a number of laws: "On Joint Stock Companies", "On Circulation at the Securities Market", as well as in normative acts of the National Committee on Securities Market and certain other bodies. The rights shall be secured by way of setting up certain rules protecting the rights and legal interests of the shareholder, including norms stipulating the responsibility for breaching such rights and interests.

For example, the right of shareholders to review materials on agenda of the general shareholders' meeting shall be secured by the norm stipulating the mechanism for using such right, including the duty of the company to provide shareholders with possibility to review all materials on agenda of the general shareholders' meeting not later than 10 days prior to its holding. The breach of said right shall enable the shareholder to appeal against the resolution of such general shareholders' meeting before a respective court. An officer of the joint stock company, who was in breach of the right, may bear administrative responsibility for such breach.

The shareholder shall have an alternative possibility to protect his rights and legal interests in terms of addressing to a respective court panel: he may appeal to the National Committee on Securities or governing bodies of the company. Moldavian legislation shall allow to chose either one way of appealing or combination of several methods, for example the shareholder may appeal only to a court, or to the NCS and court at the same time, or firstly to the NCS and then to the court, etc. In doing so, if the complaint is submitted to the joint stock company, the latter must consider it and answer in essence during one month of the day of receipt thereof.

Legal protection of rights and legal interests of the shareholders

The process of implementation of existing legislation of the Republic of Moldova on the protection of shareholders' rights is characterized by a poor performance. Recently, the conflicts more frequently arise out among shareholders of joint stock companies and joint stock companies themselves. Such conflicts lead to a breach of the rights of shareholders holding both small and big blocks of shares, and as a result the activities of commercial organizations are blocked, their members incur significant losses, different investment projects are suspended or terminated, etc.

As a rule, such conflicts are prepared in advance by their initiators in order to get certain advantages or benefits, or arise out as a result of non-competence, including legal (and often – legal nihilism), of the management of joint stock companies. Usually, such conflicts take legal form and are subject to legal proceedings.

A competent court panel (economic courts or general courts) shall provide legal protection to corporate rights. The legal practice in the Republic of Moldova in terms of proceedings related to corporate conflicts has not been established yet, though certain tendencies may be already traced nowadays.

Protection of corporate rights shall be a form of protection of civil rights, however it has its specific features. Such specificity shall be in the fact that not only rights and legal interests of participants of commercial organization, which have been breached by governing bodies of such organization, are protected, but also rights and legal interests of the organization itself are fully protected from actions of officers of governing bodies that caused damages thereto.

1. DIRECT CLAIMS

Direct legal claims shall be shareholders' claims including the following requirements:

- to invalidate the actions of a person maintaining the register of holders of securities of the joint stock company;
- to invalidate the resolution of the supervisory Board on refusal to include an issue to agenda of the annual general shareholders' meeting or applicants to the list of candidates to be voted for electing governing bodies of the company;
- to invalidate decision of the governing bodies of the company on refusal to convene the extraordinary shareholders' meeting, or to make the governing bodies of the company to convene annual general or extraordinary shareholders' meeting;
- to invalidate resolutions of the general shareholders' meeting;
- to vindicate declared dividends;
- to obtain a part of the property of joint stock company in case of its liquidation;
- to make the joint stock company to provide a shareholder with information, which the latter may obtain pursuant to applicable legislation;
- to make the joint stock company to redeem the shares owned by a shareholder;
- to compensate damages.

The aforesaid list shall not be definitely of exhaustive nature and may be extended, since as the practice shows there are much more cases of breach of corporate rights.

2. INDIRECT CLAIMS

Besides direct claims, legislation has stipulated the possibility to protect corporate rights through indirect claims i.e. claims on the basis of which rights either of shareholders or commercial organization as a whole are protected. Peculiarity of structure of indirect (derivative) claim shall be in the fact that claimants (shareholders) protect their interests indirectly.

For example, indirect claims may be those including the following requirements:

- claims of shareholders of a subsidiary against its parent company to compensate damages caused to such subsidiary as a result of performance of mandatory instructions of the parent company;
- claims of shareholders against officers of joint stock company on compensation of damages caused to the company by such officers as a result of their unlawful actions, as well as similar claims against the company itself, if the latter recognizes that actions of officers in excess of their powers were taken in the interests thereof;
- to invalidate resolutions of governing bodies of joint stock company on making changes and amendments to a share capital thereof (related either to its increase or decrease);
- to invalidate resolutions of governing bodies of joint stock company on acquisition of placed shares by the company;
- to invalidate large transactions made by joint stock company, as well as transactions where a conflict of interests is present.

Similar to the aforesaid list of direct claims, such list of indirect claims shall be approximate. They have just one common feature: such claims arise out as a result of breaching corporate rights and causing damages.

However, as the practice shows, it could happen that the damage has not been caused yet and corporate rights have not been actually breached, but such breach is potential. Such cases may also be a basis for making respective claims. The latter, for example, may include the requirements to invalidate provisions of a closed joint stock company, which prohibit the shareholder of such company to sell or alienate his shares by any way and without consent of other shareholders or company itself.

Protection of rights and legal interests of shareholders pursuant to administrative procedure

Administrative protection shall be exercised by the National Committee on Securities Market having the right to impose administrative penalties pursuant to the Code on administrative breaches of law. In accordance with the administrative procedure, it is possible to warn or impose a penalty in the amount of up to 70 US dollars on officers of joint stock company that breached shareholders' rights to govern the company stipulated by legislation on joint stock companies and charter of joint stock company. In case of a repeated breach of shareholders' rights, the officer may be subject to penalties in the amount of 90 - 200 US dollars.

Fair attitude towards shareholders

Legal status of small shareholders

Principle of equal rights of shareholders stipulated by Moldavian legislation shall be absolutely democratic (any shareholder, including small one, may participate in managing the company), however it does not represent a real guaranty of equal possibilities of each shareholder. The possibility to affect the management of the company shall be determined by the size of blocks of shares owned by each shareholder, as well as ability of small shareholders to consolidate their efforts. Moldavian legislation pays significant attention to a problem of protection of rights of small shareholders. The following rights stipulated by the Law "On Joint Stock Companies" shall provide small shareholders with due guarantees:

For shareholders holding at least 5 per cent of voting shares of the company:

- a) to include issues to agenda of the annual general shareholders' meeting;
- b) to nominate candidates to the membership of the company's Board and audit committee;

- c) to apply to a court to liquidate the company, if no Board of the company has been elected during two or more general shareholders' meetings;
- d) to require the convening of extraordinary meeting of the company's Board.

For shareholders holding at least 10 per cent of voting shares of the company:

- a) to require to establish the price of placement of the company's shares on the basis of findings of audit or other specializing organization, which is not an affiliated entity of the company;
- b) to require to carry out extraordinary audits of financial and business activities of the company;
- c) to apply to a court to compensate damages caused to the company by its officers as a result of intentional or serious breach thereby of requirements of legislative acts.

For shareholders holding at least 25 per cent of voting shares of the company:

- a) the same additional rights given to shareholders holding at least 5 and 10 per cent of such shares.

The list of additional rights provided by law to shareholders holding at least 5,10 and 25 per cent of voting shares the company shall not be of an exhaustive nature and may be in each case added by making respective provisions to the company's charter.

The use of mechanism of cumulative voting shall be a method guarantying the rights of minority shareholders.

State as a shareholder

The State has started acting as a shareholder in the process of mass privatization, when state enterprises were transformed into joint stock companies. Certain part of the State's property was sold for public bonds, while the rest of it remained in state ownership. As a result, the State was selling blocks of its shares only for cash and through auctions and direct negotiations. Today, the State continues to be a sole owner of blocks of shares of strategic companies operating in tobacco, wine-growing, and telecommunication are.

The State does not maintain public register of joint stock companies, which would reflect the State's shares. There is only one possibility to find out about the companies where the State has a share: it is necessary to address to the Privatization Program for the next year. Such Program shall contain the information of companies, which will be privatized in respective year and, respectively, where the State has its share.

The Government of the Republic of Moldova shall, on behalf of the Republic of Moldova, be empowered to act as an owner of the state property held in joint stock companies through the Ministry of Economy and Reforms. The latter shall be respectively represented by the Department of Privatization and Management of State Property.

Moldavian legislation establishes two forms of performance by the State of its shareholder's functions within joint stock companies, where the State holds a block of shares:

- a) managing block of shares through representatives or proxies of the owner of state property;
- b) by transferring the state property to the management of trust company.

However, it is necessary to notice that the State as a shareholder shall not hold any particular position. It shall have the same rights, which the other shareholders use. Similar to other shareholders, the State may participate in general meetings and may be elected to governing bodies. Employees of the Department of Privatization and Management of State Property shall be representatives of the State at the general meetings.

Legal status of foreign shareholders

The acquisition by foreign legal entities and individuals, foreign states, as well as international organizations of shares of Moldavian joint stock companies shall mean that such cases are subject to a legal regime of foreign investments. In this case, a joint stock company depending on the structure of shareholders shall be recognized as a joint venture or enterprise fully owned by a foreign investor, all in accordance with the Law "On Foreign Investments".

In accordance with applicable legislation of the Republic of Moldova, the share of foreign participants may be limited in companies of strategic or particular designation. For example, the share of foreign investors in insurance companies may not exceed 49%.

Breach of the shareholders' rights

The most typical breaches of the shareholders' rights shall include:

- shareholder was not informed on the date, time and place of holding the general meeting pursuant to the order established by the Law "On Joint Stock Companies", since the Supervisory Board independently determined the printed organ, where the information on holding the meeting has been placed, while the company's charter specified another printed organ;
- shareholder was not allowed to participate in the general meeting without legal grounds thereto;
- general meeting was held upon absence of the quorum;
- decision has been made regarding the issue not included into agenda of the general meeting or by breaching voting norms;
- rights and legal interests of the shareholder were breached in a significant way;
- refusal of governing bodies of the company to familiarize the shareholder with information, which the shareholder may obtain on the basis of legislation;
- refusal of joint stock company to redeem the shareholder's shares in the event of implementation by the company of the large transaction on the basis of a resolution of the general shareholders' meeting.

Corporate rights may be also breached in terms of illegal limitation of corporate rights of shareholders, even if there is no real obstacles to exercise their legal rights and interests, and without causing materials damage.

Often, such breaches are connected with activities of closed joint stock companies and affect the right of shareholders to alienate their shares. There is an opinion, that if the joint stock company is of a closed type, its shareholders may alienate its shares only with consent of other shareholders or company itself.

Surprising is the fact that similar limitations are established in charters of the companies registered with the Registration House of the Ministry of Justice. Moreover, shareholders often enter into agreements among themselves and such agreements directly limit their rights to alienate blocks of shares owned thereby.

Generally, in relation to such problem, it could be stated that such limitation are of illegal nature, since closed joint stock companies may not prohibit the alienation of shares. They should just follow the rules of pre-emptive purchase, which are by the way related to the transfer of title to shares on the basis of other civil and legal grounds.

Conclusion

To bring to a conclusion, I would like to draw your attention once more to the fact that the level of informing shareholders on their rights and obligations is too low in Moldova. As a rule, it is related to open joint stock companies, where shareholders are represented by individuals. In connection therewith, I

believe it would be more appropriate to create legal support centers with possibility to address to such centers on a anonymous basis.

Regardless of the fact that applicable legislation must be aimed at the protection of rights of all shareholders without any exception, it does not exercise this function to a full extent possible. Many provisions must be improved.

- 1 Legislation may stipulate provisions establishing limits for certain categories of shareholders, and firstly, in particular, holders of big blocks of shares, and aimed at protecting interests of other groups of shareholders and employees of joint stock companies. Such norm is needed for the purpose of limitation of total purchase of shares of certain joint stock companies.
- 2 Legislation may stipulate material responsibility of the company's administration for breaching shareholders' rights. For example, there are cases when open joint stock companies do not hold mandatory annual meetings, do not submit reports to state bodies, and refuse to provide shareholders with appropriate information. There are also many cases, when functions of the company's audit committee are performed by accounting service of the company. The latter fact shall constitute a breach of applicable legislation.
- 3 Subject to the fact that legislation does not expressly determine the exclusive competence of general shareholders' meeting, and contain optional norms of regulations of distribution of powers among governing bodies of the company, the competence of each governing body must be clearly specified.
- 4 Legislation may prohibit the equity title to shares. It is conditioned by the fact that if shareholders are ready to start voting at the shareholders' meeting, but cannot generate one decision and each shareholder seeks to vote on his own way, the situation may be unsolvable.
- 5 Legislation may stipulate the provision governing the process of making decisions by shareholders, which together own 50% of shares, since if they did not come to a mutual decision, the situation may come to a full stop.

As I understand, it would be appropriate to develop normative acts of joint stock companies and to approve them at the shareholders' meeting. It will ensure more comprehensive legal regulation of activities of joint stock companies, subject to the fact that many issues related to activities of both joint stock company as a whole and its governing bodies, their competence, etc., are specified in law on optional and reference basis. Legal meaning of two (centralized and local) components of legal basis of the company's activities is of a similar importance. In this context, local normative acts must comply with all terms and conditions established by law, however at the same time they should ensure more careful procedure for setting the mechanism of regulation of relations assigned to the company's competence, and must contain specific rules regulating different aspects of activities of joint stock companies.

List of normative acts regulating the rights of shareholders

Today, no new normative acts or amendments to existing ones are planned for approval purposes in the sphere of protection of shareholders' rights.

In connection therewith, the list set forth below shall be exhaustive:

Law • 1134 – XIII “On Joints Stock Companies” dated April 2, 1997; adopted by the Parliament of the Republic of Moldova

Law • 550-XIII “On Financial Institutions” dated July 21, 1995; adopted by the Parliament of the Republic of Moldova

Law • 1204 – XIII “On Investment Foundations” dated June 5, 1997; adopted by the Parliament of the Republic of Moldova

Law • 1508 – XII “On Insurance” dated June 15, 1993; adopted by the Parliament of the Republic of Moldova

Law • 199-XIV “On Securities Market” dated November 18, 1998; adopted by the Parliament of the Republic of Moldova

Law • 998- XII “On Foreign Investments” dated April 1, 1992; adopted by the Parliament of the Republic of Moldova

Law • 627- XII “On Privatization” dated July 4, 1991; adopted by the Parliament of the Republic of Moldova.