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## LATEST TRENDS IN THE HARMONIZATION OF MACEDONIAN COMPANY LAW WITH THE RELEVANT ACQUIS COMMUNAUTAIRE OF THE EUROPEAN UNION

*Summary:* In their paper the authors take North Macedonia as a country case study in terms of its company law harmonization with the relevant EU *acquis*. The significance of this analysis can be reflected in the fact that in the current period a new Law on Companies is being drafted. The aim of this paper is to identify and narratively explain the expectations regarding the adoption of the new Company Law, especially regarding introducing more shareholders' rights in order shareholders' democracy and sustainability to be improved. In that sense, a cross-section analyses will be made regarding current national state of art versus latest EU legislation which is expected to be included in the new Law.

*Keywords:* drafting new Macedonian Company Law, EU company law *acquis*, harmonization

### 1. Evolution of the law on companies from its adoption to present

At the present, in the Republic of North Macedonia series of activities are undertaken in order to harmonize a whole body of laws in the broader area of company law with the relevant EU legislation. Namely, a new Company Law is being drafted. The text of the new Insolvency Law has been published and a public debate is underway. The competent ministries are also working on series of draft laws, such as the Draft Law on Financial Instruments, the Draft Law on Prospectus and Obligations for Transparency of Issuers of Securities, and the Draft Law on Performance of Accounting Activities for which more detailed review is given in the second part of this Paper.

The paper is composed of two parts. The first part gives general presentation of the evolution of the existing Macedonian Company Law<sup>1</sup> as the basic *lex generalis* that governs the establishment, organization, structure and the functioning of the commercial entities (companies and the sole-proprietor) in the Republic of North Macedonia. This section of the paper will cover the most significant legal interventions from the adoption of the Company Law (2004) until present. The second part of the paper encompasses an analysis of the transposition of European Union legislation in the new Company Law which is in a drafting process. The running drafting activities are within the frame of the IPA EuropeAid Project “Strengthening the internal market” (Project funded by the European Union).

<sup>1</sup> “Official Gazette of the Republic of Macedonia” no. 28/2004; 84/2005; 25/2007; 87/2008; 42/2010; 48/2010; 24/2011; 166/2012; 70/2013; 119/2013; 120/2013; 187/2013; 38/2014; 41/2014; 138/2014; 88/2015; 192/2015; 6/2016; 30/2016; 61/2016; 64/2018 and 120/2018 and “Official Gazette of the Republic of North Macedonia” 290/2020 and 215/2021.

The broader framework governing the general company law, besides the Company Law, is as well based on the Securities Law<sup>2</sup> and the Law on Bankruptcy<sup>3</sup>.

In the past years, few legislative interventions have been undertaken in order to harmonize the national legislation with the relevant EU legislation.<sup>4</sup> The alignment process continued through the adoption of the Law on European Company<sup>5</sup> and the Law on European Interest Grouping<sup>6</sup>.

However, it should be noted that the frequent amendments of the respective laws in this area in some extent boosted legal uncertainty. Thus, just for illustration, the Company Law has been amended 23 times since its adoption, the Law on Bankruptcy has been amended 8 times, while the Securities Law has been amended 15 times.

In order to obtain a greater picture of the 2004 Company Law evolution in the following segment of the paper, review of the most significant changes will be presented.

In 2005 the Law on amending the Company Law introduced the concept of “main company activity”<sup>7</sup> and “the general business clause”<sup>8</sup>.

The 2007 amendments addressed Article 361 paragraph (1) of the Company Law<sup>9</sup>. In order wider shareholders’ democracy to be implemented on national level, for a first time the protection standard “in the interest of all shareholders” was introduced.<sup>10</sup>

<sup>2</sup> “Official Gazette of the Republic of Macedonia” no. 95/2005; 25/2007; 7/2008; 57/2010; 135/2011; 13/2013; 188/2013; 43/2014; 15/2015; 154/2015; 192/2015; 23/2016, 83/2018 and “Official Gazette of the Republic of North Macedonia”, no. 31/2020 and 288/2021 – hereafter “2004 Company Law”.

<sup>3</sup> Official Gazette of the Republic of Macedonia” no. 34/2006, 126/2006, 84/2007, 47/2011, 79/2013, 164/2013, 29/2014, 98/2015 and 192/2015.

<sup>4</sup> In that direction, as very important transpositions of the EU legislation through the years, the following can be mentioned: 1) transposition of the provision governing cross-border mergers of the Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies; 2) transposition of the Directive 2003/58/EC of the European Parliament and of the Council of 15 July 2003 amending Council Directive 68/151/EEC, as regards disclosure requirements in respect of certain types of companies 3) transposition of the Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies), etc.

<sup>5</sup> “Official Gazette of the Republic of Macedonia” no.115/2010. The Law on European Company was adopted in 2010, but shall be applicable upon RNM becoming a full-fledged member of the EU.

<sup>6</sup> “Official Gazette of the Republic of Macedonia” no. 158/2011. The Law on European Co-operative Society is adopted in 2011, but shall be applicable upon RNM becoming a full-fledged member of the EU.

<sup>7</sup> Article 6 of the Law on Amending the Company Law, (“Official Gazette of the Republic of Macedonia” no. 84/2005).

<sup>8</sup> Article 7 of the Law on the One-Stop Shop System and Keeping the Trade Register and the Register of Other Legal Entities (“Official Gazette of the Republic of Macedonia” no. 84/2005, 13/2007, 150/2007, 140/2008, 17/2011, 53/2011, 70/2013, 115/2014, 97/2015, 192/2015 and 53/2016 and “Official Gazette of the Republic of Macedonia” no. 98/2019, 122/2021 and 215/2021. By this amendment, each company upon its registration is allowed to pursue every activity encompassed within National classification of business activities, with exception of activities for which ex ante approval by some governmental body is needed.

<sup>9</sup> “Official Gazette of the Republic of Macedonia” no. 25/2007.

<sup>10</sup> By introducing the standard „in the interest of all shareholders“, the responsibility of the members of the management body, supervisory body and the board of directors is extensively increased. The standard asks from the management and the supervisory of the company to take into the consideration the broader interest of all shareholders when making any decision.

These changes also specify the manner of exercising the right to inspect the documents of the company. Also in 2007, through the already mentioned amendments, it was envisaged a special fund to be established in order company employees to be able to acquire shares either free of charge or at a preferential price<sup>11</sup>. Finally, with the 2007 amendments the legal requirements for establishing of a limited liability company were eased. Namely, Article 3 of the amending Law prescribes the possibility of one-year postponement from the date of the registration of the LLC for the cash contributions into the basic legal capital.

In 2008 an amendment to the provisions on transparency was introduced, which increases the scope of information that should be included as part of the company's annual report.

The Internal Audit Service was introduced in 2010.<sup>12</sup> With the 2010 Law on amending the Company Law<sup>13</sup>, number of provisions were introduced regulating the shareholders' participation in the work of the company's general assembly. Among the others, following amendments should be mentioned as more substantial:

- specifying the procedure for convening a company's general assembly by the court and providing an obligation for the person appointed by the court to summon a company's general assembly<sup>14</sup>;
- defining the fashion of announcing a public call for holding a company's general assembly<sup>15</sup>;
- regulation of the content of the invitation, that is the public announcement of the company whose stocks are listed on the stock exchange and company which in accordance with the Law on Securities has special notification obligations<sup>16</sup>;
- introduction of a special obligation for publishing information about the summoning of the company's general assembly on the website of a company whose shares are listed on a stock exchange and company which in accordance with the Law on Securities has special notification obligations; and
- specifying the possibility for participation of the minority shareholders who individually or together own at least 5% of the total number of voting shares in the part

<sup>11</sup> Article 29 of the Law on Amending the Company Law, "Official Gazette of the Republic of Macedonia" no. 25/2007.

<sup>12</sup> According to Article 415-a (1), "[t]he audit body of the joint stock company shall be obliged to organize internal audit service as an independent organizational unit within the company. The joint stock companies shall be obliged to appoint internal auditor." In Article 415-a (2) is prescribed "[t]he organizational establishment, the rights, responsibilities and relations with other organizational units of the company, as well as the responsibility and the conditions for appointment of the internal audit service manager shall be regulated by the supervision body." According to Article 415-c (1), "[t]he internal audit service shall be obliged to prepare a semi-annual and annual report for its operation and to submit them to the management and supervision body". Article 10 of the Law on Amending the Company Law, "Official Gazette of the Republic of Macedonia" no.48/2010.

<sup>13</sup> "Official Gazette of the Republic of Macedonia" no. 42/2010.

<sup>14</sup> Article 2 of the Law on Amending the Company Law is amending Article 386 of the Company Law ("Official Gazette of the Republic of Macedonia" no. 42/2010) and Article 3 of the Law on Amending the Company Law is amending Article 387 of the Company Law ("Official Gazette of the Republic of Macedonia" no. 42/2010).

<sup>15</sup> New Article 388-a is introduced by the Law on Amending the Company Law, "Official Gazette of the Republic of Macedonia" no. 42/2010.

<sup>16</sup> New Article 388-b is introduced by the Law on Amending the Company Law, "Official Gazette of the Republic of Macedonia" no. 42/2010.

of supplementing the agenda with a request for inclusion of new items, and the right to propose an adoption of decisions on each item which are or will be included in the agenda of the company's general assembly<sup>17</sup>.

In 2010, partial attempt was made to introduce some of the Shareholder Rights Directive I (SRD I) into the national law.<sup>18</sup> The amendments to the Company Law of 2010 introduced provisions that regulate the participation of shareholders in company's general assembly by electronic means. These provisions applies to the company whose stocks are listed on the stock exchange and company which in accordance with the Law on Securities has special notification obligations.<sup>19</sup> Simultaneously, the 2010 amendments also contained provisions regulating in more detail the right to pose questions on the company's general assembly. Furthermore, 2010 amendments to the Company Law introduced more precise provisions about the possibility of authorizing a person with a power of attorney to participate in the work of the company's general assembly (proxy), the manner of giving the power of attorney, as well as the manner of revoking the power of attorney.<sup>20</sup> At the same time, this legislative intervention into the Company Law, introduced three new articles, 392-a, 392-b and 392-c, which regulated the issue of the conflict of interest of the person with a power of attorney as well as the nature of the authorization of the person with a power of attorney (in writing and electronically). These provisions are mandatory for company whose stocks are listed on the stock exchange and company which in accordance with the Securities Law has special notification obligations. The new Article 400-a regulates the issue of voting through correspondence.

By 2013 Company Law amendments<sup>21</sup>, new Article 460-c was introduced which increased shareholders' rights to inspect and control the trade books and company's activities.<sup>22</sup>

With the amendments from 2008<sup>23</sup>, 2011<sup>24</sup>, 2015<sup>25</sup> and 2016 interventions were made to the provisions of the Law that refer to both, the related parties transactions and the big transactions.

<sup>17</sup> Article 5 of the Law on Amending the Company Law is amending Article 390 (4) and (5) of the Company Law, "Official Gazette of the Republic of Macedonia" no. 42/2010.

<sup>18</sup> Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies.

<sup>19</sup> New Article 391-a is introduced by the Law on Amending the Company Law, "Official Gazette of the Republic of Macedonia" no. 42/2010.

<sup>20</sup> Article 7 of the Law on Amending the Company Law, "Official Gazette of the Republic of Macedonia" no. 42/2010.

<sup>21</sup> "Official Gazette of the Republic of Macedonia" no. 70/2013.

<sup>22</sup> Article 460-c (1) says: "ŠaĆ shareholder or a group of shareholders that have at least 10% of the charter capital of the trade company, based on the existence of doubt for possible irregularities in the maintenance of the trade books and activities of the trade company, i.e. that the trade company acts contrary to the provisions of the Company Law, shall have the right to request from the management body to call the general meeting of shareholders of the company at which it will appoint a certified auditor to examine, audit, revise, certify and other services within the scope of activities of the trader company for which the request expresses doubt for existence of possible irregularities."

<sup>23</sup> Law on Amending the Company Law, "Official Gazette of the Republic of Macedonia" no. 87/2008.

<sup>24</sup> Two new articles were introduced - Article 460-a and Article 460-b. Article 2 of the Law on Amending the Company Law ("Official Gazette of the Republic of Macedonia" no. 24/2011).

<sup>25</sup> "Official Gazette of the Republic of Macedonia" no. 88/2015.

In 2015, special provisions were introduced regarding controlling and controlled company in terms of groups of companies, the most important of which is the new rule encompassed in Article 498 (1), according to which “ŠtČhe controlled company must not acquire a stake or shares in its own controlling company.” In addition, Article 498 (2) says: “[i]f the controlled company, prior to becoming a controlled company, has a stake, that is, shares in a controlling company, it shall be obliged to dispossess the stake, that is, the shares in the controlling company.”

Also, the 2015 Company Law amendments<sup>26</sup> intervened in Article 418, paragraph (2) regarding the necessary majority for amending the company’s articles of association. Namely, instead of the rule contained in the previous provision “ŠtČhe decision to amend the articles of association is adopted by a majority vote which cannot be less than two thirds of the voting shares represented at the assembly, unless the statute provides for a larger majority”, new rule was introduced: “ŠuČnless a greater majority is determined by the articles of association, the decision on articles of association amendment shall be adopted by a majority votes of the total number of the voting shares.” Furthermore, the 2015 amendments were introducing of the provision of Article 406-d, which provides new rules for transparency in terms of publication of information on realized related parties transaction.<sup>27</sup>

In 2016 new Article 456-a<sup>28</sup> was adopted by which the same regime for big transactions was to be applicable to limited liability companies too.

In order to prevent potential financial abuses, in 2008 the possibility of establishing a dormant company was abolished.

In 2018, Article 500 paragraph (7) of the Company Law was changed. The amended Article 500 (7) stated: “ŠtČhe annual report on the company’s operation referred to in paragraph (5) of this Article shall state the identity of all individuals and legal entities that participate in the basic legal capital. The report shall also state the changes that occurred during the period of one year”<sup>29</sup> This provision was intended to offer both, more relevant information to be disclosed and more transparent annual reports to be published.

Pre-emptive right for subscription of newly issued shares by the existing shareholders were treated with special interest in Macedonian Company Law. Namely, the initial 2004 Company Law envisaged such right, but due to some reasons rather not based on pure business logic, this right was abandoned in 2007. However, the pre-emptive subscription right of newly issued shares was re-introduced in 2008, through Articles 421-a, 421-b, 429-a and 437-a.<sup>30</sup> Again, these provisions were of delayed application. Namely, it was regulated that they would have been applied from the day of the accession of the Republic of North Macedonia to the European Union. In our opinion, the lawmaker is still keeping the window opened for illegitimate, indirect takeovers, by violating the fundamental pre-emptive shareholders’ subscription right.

<sup>26</sup> “Official Gazette of the Republic of Macedonia” no. 88/2015.

<sup>27</sup> Article 28 of the Law on Amending the Company Law, “Official Gazette of the Republic of Macedonia” no. 88/2015.

<sup>28</sup> Article 3 of the Law on Amending the Company Law, “Official Gazette of the Republic of Macedonia” no. 61/2016.

<sup>29</sup> Law on Amending the Company Law, “Official Gazette of the Republic of Macedonia” no. 120/2018.

<sup>30</sup> Law on Amending the Company Law, “Official Gazette of the Republic of Macedonia” no. 87/2008.

Amendments of Articles 29 and 29-a of the Company Law<sup>31</sup> were of particular interest. Namely, these changes were made in order kind of members/directors disqualification to be introduced into the Macedonian Company Law. The natural or legal persons were listed by law that were forbidden to appear as founders/members of companies due to taking certain illicit actions. The provision in paragraph (2) of Article 29, read: “ŠaĆ company cannot be incorporated by: 1) company whose account is blocked at the payment operations service and the persons who are members of the management body, the supervisory body, that is, are managers of those companies, until the company’s account is blocked or up until a liquidation or bankruptcy procedure is initiated; 2) companies against which a bankruptcy procedure has been initiated, for the period of the respective procedure; 3) persons who are members of the management body, the supervisory body, that is, the managers of trade companies to whom, in a procedure prescribed by law, a prohibition on exercising profession, business or office has been prescribed, until the prohibition is valid, 4) a person being a member in a limited liability company or in single member limited liability company whose account is blocked up until the blockage of the company’s account is valid or up until a liquidation or bankruptcy procedure is initiated, and 5) persons for whom is determined that have committed a crime, false bankruptcy, causing bankruptcy by unscrupulous operation, malpractice of the bankruptcy procedure, damaging or creditors preference by a legally valid decision of the court, and have been prohibited from performing a profession, activity or duty, until the legal consequences of the prohibition are valid.” Article 29-a of the Company Law, prescribes provisions according to which individual cannot act as a member of the company’s organs. Namely, Article 29-s (1) says: “ŠtĆ he persons from Article 29, paragraph (2) items 1 and 3 of the present Law cannot be managers, management and supervisory body members while such limitations exist, and the persons from item 5 of the present paragraph from the day of commencement of the deletion procedure and within three years from the day of announcement of the deletion of the company on the web page of the Central Registry.” In Article 29-b of the Company Law the establishment of special electronic registry of disqualified individuals is prescribed.

The amendment of Article 197, paragraphs (7) and (8) of the Company Law is another example that provides for limitation a person, either natural or legal, to appear as a member of a limited liability company. Article 197 (7) says: “ŠtĆhe members/partners in the company that have an outstanding debt on grounds of unpaid taxes, custom duties and compensations cannot buy, nor transfer shares in their own or other trade companies.”. The provision of paragraph (8) of the same Article 197 states: “ŠpĆ aragraph (7) of this Article shall not apply to members/partners that have the status of a state administrative body and funds established by the state which have acquired their shares in the company based on a law.” The latter provision was heavily criticized by the private investment funds, since they were excluded from this exception.

In 2021, the possibility of establishing a “simplified limited liability company” was introduced, by insertion of the Article 172-a into the Company Law.<sup>32</sup> These amendments stipulate that “ŠtĆhe lowest amount of the minimum legal capital of the simplified limited liability company shall be 1 (one) Euro in Denar equivalent in accordance

<sup>31</sup> Law on Amending the Company Law, “Official Gazette of the Republic of Macedonia” no. 38/2014.

<sup>32</sup> Law on Amending the Company Law, “Official Gazette of the Republic of Macedonia” no. 2015/2021.

with the average exchange rate of the National Bank of the Republic of North Macedonia on the day of depositing, unless the founders agreed that that shall be the day of signing of the company founding act.” By this amendment, Macedonian Company Law entered the club of countries whereby the minimum legal capital of limited liability companies is relaxed up to the maximum. Of course, additional terms were prescribed in order the five thousand Euro minimum legal capital to be attained and guaranteed in due course.

Since the adoption of the Company Law in 2004 until today, major changes have been undertaken in the area of company registration. Hence, since 2005 the court registration of companies has been replaced by an administrative procedure conducted by the Central/Trade Register of the Republic of North Macedonia. The procedure for administrative registration is regulated by the Law on the One-Stop Shop System and Keeping the Trade Register and the Register of Other Legal Entities.

In the past period, a series of amendments to the legislation (both the Company Law and the Law on the One-Stop Shop System and Keeping the Trade Register and the Register of Other Legal Entities) have been undertaken in order to speed up and facilitate the registration procedure. Thus, in order to shorten the time for conducting the procedure for registration of the company, Article 41 (1) of the Law on the One-Stop Shop System and Keeping the Trade Register and the Register of Other Legal Entities provides the following: “*SiCf* the registrar determines that the conditions for registration are met in accordance with Article 39 of this Law, within 4 hours from the moment of submitting the complete documentation will make a decision for registration”.

One of the most significant reform efforts in the segment of company registration is the introduction of electronic registration. During the years, the electronic registration was introduced step by step. With the amendments to the Company Law in 2013, full registration in electronic form is introduced through the e-registration system.

## **2. Challenges in the process of harmonization of the Macedonian Company Law with the Law of the European Union As stated at the very beginning of this paper, at present drafting of new Company Law is undergoing. The process of drafting new Law is based on the expectation full compliance with all relevant EU *acquis* to be achieved.**

For the process of the drafting of the new Company Law, of special interest is the transposition of the Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law. This Directive in chapter III, regulates the BRIS - the Business Registers Interconnection System<sup>33</sup>. It is expected that, besides the Company Law, some segments of the Directive to be partially transposed in the Law on the One-Stop Shop System and Keeping the Trade

<sup>33</sup> It is expected that the Business Registers Interconnection System (BRIS) infrastructure will facilitate the access to information on EU companies for the public and ensure that all EU business registers can communicate to each other electronically in a safe and secure way in relation to cross-border mergers and foreign branches. The ultimate aim is to enhance confidence in the single market through transparency and up-to-date information and reduce unnecessary burdens on companies. The system will consist of: A core services platform, named „European Central Platform“ (ECP); The Member States business registers; and The e-Justice portal which will provide an interface serving as European electronic access point to information on companies. More details about the BRIS are available on the link <https://ec.europa.eu/digital-building-blocks/wikis/display/CEFDIGITAL/Business+Registers+Interconnection+System>, accessed on 12.2.2022.

Register and the Register of Other Legal Entities and in the Law on Central Registry. It should be noted that the BRIS requires technical specifications for interconnection with the European Business register. Thus, it is expected that the provision of the Directive, when transposed in the national legislation, to enter into force with postponed effect.

It should also be noted that The Regulation (EU) no 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC has been transposed in the Law on Electronic Documents, Electronic Identification and Trust services.<sup>34</sup>

However, as already mentioned, the technical transposition of the above regulations and directives seems the easiest part. For efficient interconnection with the European e-Justice Portal substantial human and technical resources are needed.

Closely connected with the Directive (EU) 2017/1132, when it comes to the registration of the companies, is the Directive (EU) 2019/1151 of the European Parliament and of the Council of 20 June 2019 amending Directive (EU) 2017/1132 as regards the use of digital tools and processes in company law. It is expected, this Directive to be partially transposed in the Company Law, the Law on the One-Stop Shop System and Keeping the Trade Register and the Register of Other Legal Entities and in the Law on Central Registry. In addition, in this part, the transposition of the Commission Implementing Regulation (EU) 2021/1042 of 18 June 2021 laying down rules for the application of Directive (EU) 2017/1132 of the European Parliament and of the Council as regards technical specifications and procedures for the system of interconnection of registers and repealing Commission Implementing Regulation (EU) 2020/2244 is important to be emphasized.

Shareholder Rights Directive II - Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (SRD II) is very important EU Directive that needs to be fully harmonized with the Macedonian legal system. Of particular interest is the Article 3-a of the Directive. This Directive goes along with the Commission Implementing Regulation (EU) 2018/1212. This Regulation lays down minimum requirements for implementing of the provisions of Directive 2007/36/EC of the European Parliament and of the Council as regards shareholder identification, the transmission of information and the facilitation of the exercise of shareholders rights. In principle the implementation process requires serious technical and regulatory adjustments. Those adjustments entail time and substantial resources. Hence, it is expected that if both legal acts are transposed into the national law, the entering into force provisions to be with postponed effect, either for at least two years of their enactment or upon Republic of North Macedonia becoming a full-fledged member of the EU.

Some of the EU company law legislation is already transposed into the new 2021 Corporate Governance Code of the Macedonian Stock Exchange<sup>35</sup>. The following EU legislation is encompassed in this soft law legislative instrument: Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (Text with EEA relevance) (2004/913/EC); Commission Recommendation of 30 April 2009 complementing Recommendations 2004/913/EC and 2005/162/EC as regards the regime for the remuneration of directors of listed

<sup>34</sup> “Official Gazette of the Republic of Macedonia” no. 101/2019 and 275/2019

<sup>35</sup> The Corporate Governance Code of the Macedonian Stock Exchange is available on <https://www.mse.mk/Repository/1%20%9A%20%BE%20%B4%20%B5%20%BA%D1%81/KKU%20final%20-%20Copy%201.pdf>.

companies (Text with EEA relevance) (2009/385/EC); Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (Text with EEA relevance) (2005/162/EC) and Commission Recommendation of 9 April 2014 on the quality of corporate governance reporting ('comply or explain') (Text with EEA relevance) (2014/208/EU).

Further harmonization of the national legislation is needed in the part of the Directive (EU) 2019/2121 of the European Parliament and of the Council of 27 November 2019 amending Directive (EU) 2017/1132 as regards cross-border conversions, mergers and divisions. The existing Macedonian Company Law contains provisions related to cross-border mergers, but lacks provisions for both, cross-border divisions and cross-border conversions. Thus, the need for transposition of the relevant provisions that are governing the cross-board divisions and conversions, will be included in the process of the drafting of the new Company Law.

It should be mentioned that at the moment two other laws the Law on Financial Instruments and the Law on Prospectus and Obligations for Transparency of Issuers of Securities are in the drafting process. In that sense, several European Union legal acts will wholly or partly be transposed by these laws: Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive; Directive 2014/65/EU on Markets in financial instruments (MiFID 2); Directive 2014/57/EU on Criminal sanctions for market abuse (MAD); Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Text with EEA relevance (CRD IV); Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions, repealed by: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, and Directive 2001/34/EC on the admission of securities to official stock exchange listing and on the information to be published on those securities.

Simultaneously, within the new Law on Performance of Accounting Activities, transposition of the Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance) shall be pursued. Beside above Directive, within the new Law on Performance of Accountant Activities the following EU legislation is expected to be transposed: The Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups; The Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and The Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

By the new Audit Law, the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC will be transposed.

### 3. Conclusion

The ongoing drafting process of new Company Law is a good opportunity for its full and comprehensive alignment with the European Union *acquis communautaire*. In that sense, during the drafting all regulations and directives and other relevant legislative pieces have been taken into account. The adoption of new Macedonian Company Law is of great importance, given that the existing Company Law has been amended for 23 times since its adoption in 2004. On the other hand, North Macedonia should follow the contemporary trends in terms of developing and improving the shareholders' democratic and sustainable environment. Considering that business law should be viewed from broader perspective, it is important to underline that a number of related EU regulations and directives are subject to transposition into a number of other laws, such as the Law on Financial Instruments the Law on Prospectus and Obligations for Transparency of Issuers of Securities, and the Law on Performance of Accounting Activities. Finally, it should be noted that this process should be completed by the adoption of the new Law on Insolvency. The extensive legislative approach that is undertaken in North Macedonia, makes it possible a comprehensive and contemporary reform of the national business law to be achieved.