

Romania government prohibited from selling shares in Romanian companies for two years

The Romanian parliament approved a law that stops any sale of shares owned by the Romanian state for the next two years.

Given the current volatile economic outlook and in an effort to provide safety measures to keep the national economy sovereign, on 13 August Romanian President Klaus Iohannis promulgated the Law no.173, which comes into force on 16 August, banning the sale of shares owned by the state in national companies, banks, or other companies in which the state is a shareholder, irrespective of the ownership percentage, for the next two years. Ownership transfers that commenced before the entry into force of the Law are suspended for a two-year term.

Even though this suspension will not apply to finalised privatisations, these restrictions will likely impact the Romanian M&A market. The Law is likely to complicate the long-awaited listing of energy producer Hidroelectrica, Romania's most valuable state company, and other ongoing sales of companies where the state holds shares.

The Law also reinforces the possibility for the Romanian state to acquire, in compliance with the applicable laws (particularly on state aid and competition), participation in companies that carry out economic activities in key fields, such as:

- production and sale of medicines, medical devices, serums and vaccines, medical and paramedical services;
- machine manufacturing, metallurgy, food industry, agriculture and forestry;
- production, transport, distribution and supply of electricity and thermal energy;
- exploration, exploitation, extraction, production and processing of mineral resources;
- transport, construction and management of road, rail, naval and air infrastructure;
- capturing, treatment and distribution of drinking water and irrigation water;
- postal services, communications and information technology.

Even though the Law only provides the possibility of the Romanian state to acquire shares in the above companies, any future legislative changes should be closely monitored, given the several ongoing M&A processes in the above key fields where the state could acquire a shareholding.

*For further information on this Law and state ownership in Romanian companies, contact your regular CMS advisor or local CMS experts: **Rodica Manea** and **Claudia Nagy**.*