

MARKET OUTLOOK

ANNUAL REVIEW 2016



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Market Outlook

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Market Outlook

MARCH 2016 • ANNUAL REVIEW

Financier Worldwide canvasses the opinions of leading professionals on the outlook in markets around the world.

Contents



UNITED STATES	08
David Yates HUNTON & WILLIAMS LLP	



BRAZIL	12
Thiago Sandim DEMAREST ADVOGADOS	



UNITED KINGDOM	16
Chris Hale TRAVERS SMITH LLP	



SWITZERLAND	20
Daniel Hayek PRAGER DREIFUSS	



ROMANIA	24
Florian Nitu POPOVICI NITU STOICA & ASOCIATII	



RUSSIA	28
Natalya Morozova VINSON & ELKINS LLP	

.....



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Market Outlook

MARCH 2016 • ANNUAL REVIEW

Contents



JAPAN 32
Adrian Joyce
NORTON ROSE FULBRIGHT



THAILAND 36
Surasak Vajasit
RAJAH & TANN (THAILAND) LIMITED



AUSTRALIA 40
Brent Goldman
NEXIA AUSTRALIA



UNITED ARAB EMIRATES 44
Andrew Greaves
ADDLESHAW GODDARD (MIDDLE EAST) LLP

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ROMANIA

FLORIAN NITU
POPOVICI NITU STOICA & ASOCIATII

Q HOW WOULD YOU CHARACTERISE BUSINESS ACTIVITY IN ROMANIA OVER THE LAST 12 MONTHS?

NITU: The last 12 months offered great opportunities, but also a good number of failures, so I would say the outcome was mixed. We have seen new investments and equity funds and major industrialists showing an increasing interest in Romanian businesses and opportunities, with PE funds and banks raising significant amounts and committing to big tickets. At the same time, there were many infrastructure and concession projects suspended or even cancelled for various reasons, many foreign to business rationale. Also, changes to the regulatory framework across many sectors have occurred concomitantly, leading in the short term to a sort of administrative deadlock, but the prospects that this situation will improve soon are good.

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Q WHICH SECTORS SEEM TO BE ENJOYING GROWTH AND WHICH SEEM TO BE UNDER PRESSURE?

NITU: Growth areas in Romania include IT & telecoms and energy & natural resources, along with agribusinesses and farming. Out of former leading sectors which now face significant pressure, I would mention the consumer-related businesses, including finance, mainly retail finance, logistics and transportation, real estate, residential mainly, and DIYs.

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Q TO WHAT EXTENT, IF AT ALL, HAS THE GOVERNMENT IN ROMANIA TAKEN ACTIVE STEPS TO PROMOTE BUSINESS, THROUGH POLICIES, INCENTIVES AND OTHER INITIATIVES?

NITU: The Romanian government is taking strong measures to attract foreign investment. A full array of regulatory decisions entered in force as of 2016. A new fiscal code was enacted to strengthen Romania's position as a low-tax jurisdiction and a place for establishment in view of investments, mergers and acquisitions in Eastern Europe. The New Fiscal Code restates the 16 percent flat tax quasi-universal and establishes a 5 percent dividend tax. It furthers the already extensive network of conventions for the avoidance of double taxation and also makes effective the EU tax legislation in key investment areas, such as parent subsidiary, interest and royalty and merger directives. Romania is also making massive progress in improving public services in general and in fighting corruption and other illegal practices in particular, to such an extent that it is frequently cited as a role model in the region.

Q WHAT ADVICE WOULD YOU GIVE TO BUSINESSES CONSIDERING GROWTH AND INVESTMENT OPPORTUNITIES IN ROMANIA, IN TERMS OF ASSESSING AND MANAGING THE RISKS INVOLVED?

NITU: I have always maintained that Romania is a platform for investments in Eastern Europe. In so doing, investors should manage risks by properly substantiating their investment scheme designed to take advantage of Romania's low corporate and dividend tax and its extensive network of conventions for the avoidance of double taxation. I would further suggest that proper safeguards be taken in relation to employment and labour issues, particularly in terms of collective rights and labour unions, but also in relation to transfers of undertakings for all or part of a business. Anti-money laundering, anti-fraud and anti-corruption, as well as Know Your Customer rules and processes, should also constitute a key concern. Finally, I would advise investors to be mindful of the investment protection regimes available under Romania's international treaties, prior to and during virtually any investment process.



Q WHAT LEGAL AND REGULATORY ISSUES SEEM TO HAVE THE GREATEST IMPACT ON BUSINESS ACTIVITY IN ROMANIA?

NITU: The greatest impact on business activity in Romania would definitely be the new fiscal compact, a whole package of primary and secondary tax regulations in force since 1 January 2016.

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Q WHAT OVERARCHING TRENDS DO YOU EXPECT TO SEE OVER THE NEXT 12 MONTHS OR SO?

NITU: There are four main trends discernible at this stage. First, there will be new fresh capital invested in sectors offering organic growth potential, including IT & telecoms, agribusiness and energy & natural resources, for example. Second, banks and financial institutions will continue to clear their non-performing loans, with high-profile deals being planned for 2016. Third, restructuring and workout processes in the real estate market will continue with the arrival of big portfolio deals. Finally, Romania will relaunch privatisation projects after many years of relative inaction in this area.

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“Banks and financial institutions will continue to clear their non-performing loans, with high-profile deals being planned for 2016.”

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