

## **The Law of Ukraine "On Limited Liability Companies" was adopted by the Verkhovna Rada**

On February 6, 2018, 285 people's deputies of Ukraine voted for the adoption in the second reading of the long-awaited Law of Ukraine "On Limited Liability Companies" (Bill No. 4666).

The law introduced a number of changes and short stories in the regulation of the activities of limited liability companies, the key of which is:

- introduction of the Institute of corporate agreement, which allows participants of the company regulate their relations regarding the distribution of powers in the management of the company, establish a procedure for voting at the general meeting of participants and agree on a concerted action to manage the company;
- creation of a possibility for the conversion of debt into capital, which will allow the participants of the LLC to convert the property rights to the company into a share in the authorized capital of such a company;
- introduction of a procedure for mandatory approval by the general meeting of participants or the supervisory board (if such a supervisory board is established in the LLC) significant transactions and transactions of interest;
- the restriction of the quantitative composition of the participants of the LLC was canceled, which would now allow joint stock companies to change their organizational and legal form on LLC;
- the requirement for obligatory indication in the company's charter of information about the participants of the company is canceled, which should simplify and accelerate the procedure of assignment (sale) of the stake by the participant, as it will not be necessary to make changes to the charter of LLC;
- significantly changed norms which regulate the procedure of realization of the preferential right of participants to buy a share in the statutory capital of LLC;

- the procedure for exclusion of participants from the LLC, according to which the participant may be expelled from the membership only by a court decision (except for deaths, announcement of missing or deceased participant - an individual or the termination of a participant - legal entity), has been improved;
- regulated procedure for acquiring the status of a participant of LLC by an heir, which by the general rule automatically (that is, without the consent of other participants) becomes a member of the partnership unless the other procedure is not specified by the charter.

The law enters into force three months after its publication, except for the norm governing the exclusion of a participant from the membership of the LLC in the event of death, declaration by a court absent or missing a participant - an individual or a termination of a participant - a legal entity which takes effect in a year from the day when the Law came into force.

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This Legal Alert is intended as a general overview of latest changes in legislation of Ukraine and does not constitute a legal advice.

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