February 2026

KINSTELLAR

Understanding the Legal Landscape of Private Credits

PRACTICAL OVERVIEW OF KEY LEGAL QUESTIONS ACROSS OUR JURISDICTIONS

Understanding the Legal Landscape of Private Credits

Private credit has emerged as one of the most dynamic segments of modern finance, offering flexible and innovative funding solutions beyond traditional banking channels.

In this report, we provide an overview of the key legal questions that frequently arise in the context of private credit across our jurisdictions. Drawing on our cross-border experience, we highlight the issues that most impact market participants — from fund managers and investors to borrowers — as they navigate an increasingly sophisticated and competitive market.

By addressing these core topics, we aim to help stakeholders better understand the evolving legal frameworks that underpin private credit and support more confident, informed decision-making in this rapidly growing sector.

Table of content

Short overview of all jurisdictions

Legend ● yes ● no ● other	Austria	Bulgaria	Croatia	Czech Republic	Hungary	Kazakhstan	Romania	Serbia	Slovakia	Turkey	Ukraine	Uzbekistan
1. Do you need a banking or other license to make private loans to entities incorporated in this jurisdiction?	●	●	●	●	●	●	●	●	●	●	●	●
2. Are there any rules that limit interest, fees or other remuneration in this jurisdiction?	●	●	●	●	●	●	●	●	●	●	●	●
3. Is withholding tax charged on loans made to entities incorporated in this jurisdiction?	●	●	●	●	●	●	●	●	●	●	●	●
4. Can a lender take security directly from a borrower?	●	●	●	●	●	●	●	●	●	●	●	●
5. Are there any restrictions on financial assistance in this jurisdiction?	●	●	●	●	●	●	●	●	●	●	●	●
6. Can a private credit provider act as agent/security agent in club/syndicated deals in your jurisdiction?	●	●	●	●	●	●	●	●	●	●	●	●
7. Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?	●	●	●	●	●	●	●	●	●	●	●	●
8. Is it possible to enforce a foreign judgement in this jurisdiction?	●	●	●	●	●	●	●	●	●	●	●	●
9. Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?	●	●	●	●	●	●	●	●	●	●	●	●
10. Does a private credit provider have a specific insolvency regime akin to banks in your jurisdiction?	●	●	●	●	●	●	●	●	●	●	●	●
11. Is there an active market in private credit in your country, and if yes, typically in what type of finance deals?	●	●	●	●	●	●	●	●	●	●	●	●

AUSTRIA

1) Do you need a banking or other license to make private loans to entities incorporated in Austria?

Yes, granting loans on a commercial basis to a borrower incorporated in Austria requires either a banking license in Austria or a European passport.

Under the concept of "reverse solicitation", it may be possible to grant loans to borrowers in Austria if the business relationship was solely established upon request by the borrower and the nexus to Austria is reduced to the extent possible (in particular, that negotiations, execution, payments, and payment accounts are all outside of Austria and that there are no security interests over assets located in Austria). However, whether it may be relied on reverse solicitation must be determined on a case-by-case basis. Further, there is a risk that the Austrian Financial Market Authority ("**FMA**") may deem such activity to be unauthorised lending business. This would constitute an administrative offence and could result in severe administrative fines, loss of entitlement to interest and fees and the issuance of a public warning. Against this background, it is recommended to take a cautious approach.

We note, however, that there is a possibility to structure transactions in such a way that they achieve the economic purpose of a loan while not constituting a banking service and therefore not triggering a banking license requirement.

Such alternative transaction structures may be (i) entering into a sub-participation or silent partnership, (ii) using a licensed fronting bank, (iii) implementing a bond structure, or (iv) setting up a shareholder-loan structure, as shareholder loans are generally exempted from the banking license requirement.

Further, we note that alternative investment funds managers ("**AIFM**") are exempt from licensing requirements if they conduct lending business or any other regulated banking service, provided that such business falls within the scope of their authorisation under the Alternative Investment Funds Directive.

2) Are there any rules that limit interest, fees, or other remuneration?

Yes, although there are no explicit limits for the amount of interest, fees, or other remuneration, they may not be excessive and, therefore, usurious, and in violation of Austrian civil law principles. Whether this is the case is subject to a case-by-case assessment. Statutory default interest may amount to 9.2% above the base rate.

In addition, in case of loans provided to related parties, transfer pricing rules apply.

3) Is withholding tax charged on loans made to entities incorporated in Austria?

No. Under Austrian tax law, even interest payments paid to non-Austrian resident corporations are not subject to Austrian withholding tax.

4) Can a lender take security directly from a borrower?

Yes, in general, a lender can take security directly from a borrower.

5) Are there any restrictions on financial assistance?

Yes, any financial assistance by an Austrian company, including limited liability companies (*GmbH*), stock corporations (*AG*) and limited partnerships (*GmbH & Co KG/AG & Co KG*), for the acquisition of shares in such company generally constitutes a violation of Austrian capital maintenance rules. Under Austrian law, repayment of capital to shareholders of GmbHs, AGs, or GmbH & Co KGs / AG & Co KGs is strictly prohibited. Shareholders are only entitled to dividends, funds and assets received in a formal capital reduction, liquidation surplus and considerations received in arm's length transactions with the company. Any payments or benefits granted outside these exceptions will be deemed a breach of Austrian capital maintenance provisions and will render the underlying transaction invalid.

6) Can a private credit provider act as agent/security agent in club/syndicated deals in Austria?

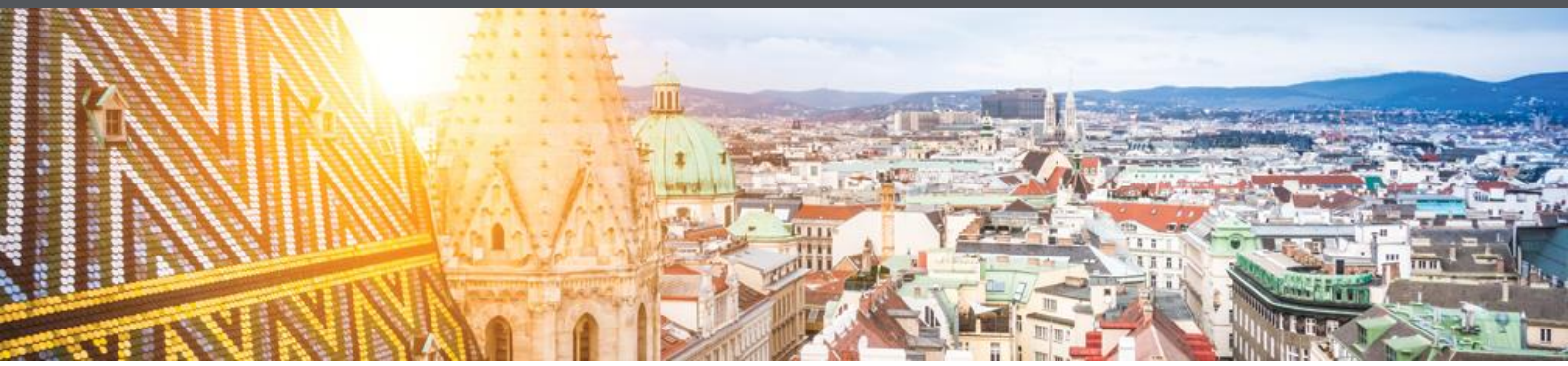
Yes, under the condition that the private credit provider does not provide any activities that constitute a regulated banking business.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

Loans provided by a shareholder to the company are only subordinate to insolvency claims if this is contractually agreed or if the requirements of the Austrian Equity Substitution Act (*Eigenkapitalersatzgesetz – EKEG*) are met.

Pursuant to the EKEG, any loan that is granted by a shareholder in the meaning of Sec 5 of the EKEG (i.e., that controls the company, holds more than 25% of the shares, or exerts a controlling influence) to a company that is in a financial crisis is considered equity-replacing. A company is in a financial crisis if it is insolvent, overindebted, or if the company's equity ratio is less than 8% and the notional debt repayment period is more than 15 years, unless the company does not require reorganisation.

Equity-replacing shareholder loans are treated as subordinated and will only be repaid once the insolvency claims have been repaid pursuant to the Austrian Insolvency Act (*Insolvenzordnung – IO*). Further, shareholders are not entitled for repayment of the loan (including interest) until the company is restructured.



8) Is it possible to enforce a foreign judgement in Austria?

Yes, Austrian courts generally must recognise and enforce judgements from other Member States of the European Union without any additional procedures, unless the judgement violates the Austrian ordre public (i.e., general principles of law).

Judgements of non-European Union states may be enforced by Austrian courts if there is a bilateral or multilateral treaty in place, such as the Hague Convention on Choice of Court Agreements.

9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

No, there are no special reporting obligations for private credit providers comparable to the reporting obligations of a licensed bank in Austria.

10) Does a private credit provider have a specific insolvency regime akin to banks in Austria?

No, where Austrian insolvency law applies, private credit providers are subject to the general insolvency regime under the IO and are not governed by a separate or special insolvency framework applicable to banks.

11) Is there an active market in private credit in Austria, and if yes, typically in what type of finance deals?

No, because of the strict regulatory regime and the banking license requirement there is only a limited market for private credit in Austria.

BULGARIA

1) Do you need a banking or other license to make private loans to entities incorporated in Bulgaria?

Yes. Providing business-to-business loans from own resources (not from deposits or other repayable funds from the public) requires a non-banking financial institution registration with the Bulgarian National Bank if this activity (i) is provided on a professional basis and (ii) represents a significant activity for the lender (the requirements are cumulative). The activity will be provided on a professional basis if it is systemic and long-term in nature, involves risk-taking, and is intended to be a source of income. For the activity to be significant for the entity, the relative share of the activity of providing such loans must be not less than 30% of the total activity of the entity. This is determined either by comparing the net income from the specific activity (e.g., lending) to the overall income of the entity or by comparing the assets attributable to the specific activity to the gross amount of the assets of the entity in accordance with its financial statements.

Local presence will be required. Such financial institutions established in the European Union can fulfil this requirement under a passporting procedure via an establishment of a Bulgarian branch or directly.

If the funds originate from deposits or other repayable funds from the public, a banking license or a passport is required.

If business-to-business loans are provided not on a professional basis or do not represents a significant activity for the lender, registration as a non-banking financial institution will not be required.

2) Are there any rules that limit interest, fees, or other remuneration?

Yes, although there are no explicit limits for the amount of interest, fees, or other remuneration, these shall always be set in accordance with the so-called principles of good morals. For example, in certain cases Bulgarian courts have accepted that a default interest in the amount of over three times the statutory interest goes against the principle of good morals.

In addition, in case of loans provided to related parties, transfer pricing rules apply.

3) Is withholding tax charged on loans made to entities incorporated in Bulgaria?

No, withholding tax is not charged on interest paid on loans to entities incorporated and tax resident in Bulgaria. However, if interest is paid to a foreign lender (non-resident), Bulgarian withholding tax generally applies, unless reduced or eliminated under an applicable double taxation treaty.

4) Can a lender take security directly from a borrower?

Yes, subject to the limitations set out in the response to Question 5 below, a lender can take security directly from a borrower.

5) Are there any restrictions on financial assistance?

Yes, granting loans by a Bulgaria joint stock company for the purpose of acquiring its shares and granting security by such company for this purpose is prohibited. This financial assistance restriction applies not only to the specific transaction for the acquisition of shares of the company from a third party, but also to all other transactions (including indirect financings, the granting of guarantees, substitution in debt obligations) that are aimed at achieving this result. Bulgarian courts would evaluate if a transaction violates the financial assistance restriction on a case-by-case basis, taking into account the arrangements between the parties, the characteristics and the purposes of the undertaken obligations, as well as the purpose which the law attaches to the financial assistance restriction.

There are no restrictions on financial assistance applicable to Bulgarian limited liability companies. Restrictions also do not apply to transactions concluded by a bank or a financial institution over the course of its usual business, if thereupon the net value of its property, less payable dividends and interest, remains not less than the sum of its capital and the reserve fund (and other funds) of the company. This exception would only apply if the target of the transaction is also a bank or a financial institution.

6) Can a private credit provider act as agent/security agent in club/syndicated deals in Bulgaria?

Yes, under the condition that the private credit provider does not provide any activities that constitute a regulated banking business.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

Yes, in the event of insolvency proceedings under Bulgaria law, a loan provided by a shareholder is treated as subordinated and will only be repaid once all other creditors have been repaid. This also applies if the loan was secured.

8) Is it possible to enforce a foreign judgement in Bulgaria?

Yes, a final and enforceable foreign judgement for payment of money can generally be recognised and enforced in Bulgaria, subject to applicable frameworks.

For judgements from EU Member States, enforcement is governed by the Brussels Regulation (Regulation No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters) which provides for automatic recognition without review of the merits. For judgements from certain non-EU countries, recognition may be possible under the Hague Convention on the Recognition and Enforcement of Foreign Judgements in Civil or Commercial Matters (2019), provided both states are contracting parties. Additionally, where an exclusive choice of court agreement exists between the parties, the Hague Convention on Choice of Court Agreements (2005) may apply.

Finally, judgements of foreign courts may be recognised and enforced by the relevant court in Bulgaria subject to completion of certain procedural steps and subject to, *inter alia*, the provisions of the Code on Private International Law which provide that a decision of a foreign court may be recognised and enforced in Bulgaria, provided that:

(a) the foreign court or authority had jurisdiction according to the provisions of Bulgarian law, but not if the only ground for the jurisdiction of the foreign court over disputes concerning property rights is the nationality of the plaintiff or its registration in the foreign state;

(b) the defendant was served a copy of the claim, the parties were duly summonsed, and the fundamental principles of Bulgarian law, related to the defence of the said parties, have not been prejudiced;

(c) no effective judgement has been given by a Bulgarian court based on the same facts, involving the same cause of action, and between the same parties;

(d) no proceedings based on the same facts, involving the claim and between the same parties, are brought before a Bulgarian court that precede the case before the foreign court whose judgement is being recognised and enforced in Bulgaria;

(e) the recognition or enforcement is not contrary to Bulgarian public policy.

9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

No, unless carried out based on a banking licence or if the company is registered as a non-banking financial institution in Bulgaria, private credit does not trigger specific reporting obligations similar to obligations applicable for licensed banks.

10) Does a private credit provider have a specific insolvency regime akin to banks in Bulgaria?

No, where Bulgarian insolvency law applies, private credit providers are subject to the general insolvency regime under the Bulgarian Commercial Act and are not governed by a separate or special insolvency framework applicable to credit institutions.

11) Is there an active market in private credit in Bulgaria, and if yes, typically in what type of finance deals?

No, there is only a limited market for private credit in Bulgaria.

CROATIA

1) Do you need a banking or other license to make private loans to entities incorporated in Croatia?

Generally, no. By the letter of the law, lending (as opposed to "*crediting*") is not limited to credit institutions and can be done by any entity, in which case a specific licence is not required. Entering lending agreements by entities in Croatia on a temporary basis does not trigger regulatory requirements.

Banking laws introduce a certain degree of regulation, recognizing *lending* activity as one of the *core financial services*. While providing loans without a financial services license is not explicitly prohibited for corporate entities, large-scale lending operations could nonetheless draw the attention of regulators.

On the other hand, there is no uncertainty when it comes to consumer loans as lending to consumers is explicitly mentioned as a financial service that requires approval of the regulator including additional requirements imposed by consumer legislation.

In addition, lending from deposits collected from the public is strictly regulated as banking activity and can be done only by credit institutions.

Finally, non-Croatian entities providing loans on a permanent basis need to have local presence. Pending implementation of the Capital Requirements Directive VI may bring further restrictions on entities from non-EU Member States.

2) Are there any rules that limit interest, fees, or other remuneration?

Yes, in Croatia, interest rates under loan agreements are subject to statutory limitations. The contractual interest rate cannot exceed a statutory limit based on the default interest rate set by law.

For oan agreements in which at least one party is not a commercial entity (e.g. consumer loans), the maximum contractual interest rate may not exceed the statutory default interest rate plus 50% of that rate.

For loan agreements between commercial entities, the maximum contractual interest rate may not exceed the statutory default interest rate plus 75% of that rate.

Any agreed rate above these limits is considered reduced to the maximum allowed rate.

3) Is withholding tax charged on loans made to entities incorporated in Croatia?

Yes, withholding tax of 15% is levied on interest paid to non-resident entities with certain exemptions (unless a specific double taxation treaty provides for a lower rate or exemption):

1. for trade credits for the procurement of goods used for the performance of the business activity of the taxpayer;
2. for loans given by a foreign bank or other financial institution;
3. to possessors of bonds, both state and corporate, that are foreign legal persons.

4) Can a lender take security directly from a borrower?

Yes, a lender can take security directly from a borrower.

5) Are there any restrictions on financial assistance?

Yes, a joint stock company is prohibited from granting advance payments, loans, credits, or providing security for the purpose of acquiring its own shares.

Agreements implying such transactions are null and void.

However, in limited exceptions, in which granting advance payments, loans, credits, or providing security to acquire its own shares is allowed, the following conditions must be met:

- approved by the general meeting with at least a two-thirds majority of the share capital;
- A detailed report stating the reasons must be provided to the general meeting by the management board;
- conducted under fair market conditions, especially regarding the borrower's creditworthiness and the interest rate;
- must be covered by distributable profits or available reserves, so that the company's net assets are not reduced below the level prescribed by law; and
- the amount of financial assistance granted must not, at any time, cause the company's net assets to fall below the level of its registered share capital, taking into account any previous reductions resulting from the acquisition of own shares, and the company must record in its balance sheet a corresponding non-distributable reserve equal to the total amount of the financial assistance provided.

For limited liability companies, there is no explicit financial assistance prohibition, but the principle of capital maintenance and the prohibition on return of contributions apply.

It should be noted that any transaction providing a benefit to a shareholder without adequate consideration (e.g., a guarantee or loan to finance acquisition of its own shares) could constitute an unlawful return of capital, which would therefore be considered invalid.

6) Can a private credit provider act as agent/security agent in club/syndicated deals in Croatia?

Yes, In Croatia, a private credit provider (non-bank lender) may act as facility agent or security agent in club or syndicated lending transactions. There are no specific licensing restrictions under Croatian law merely for acting as an agent or security agent in a transaction, provided the person is not engaging in lending as a regular permanent activity.

However, if an entity regularly carries out such agency or lending activities, this may trigger a presence requirement as explained in the response to Question 1.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

Under certain conditions, yes. Under Croatian law, loans provided by a parent company or shareholder to its subsidiary are not per se subordinated, but they may be reclassified as "capital-substituting loans".

This occurs where the loan was granted at a time when the subsidiary was in financial distress (over-indebted or illiquid), i.e., when a prudent shareholder would have provided equity instead of debt.

In those cases, the shareholder's claim is treated as subordinated in insolvency proceedings and it ranks after claims of regular and higher ranking.

The same treatment applies where a shareholder or affiliated company has provided security or a guarantee for such a loan.

If the shareholder has been repaid within one year before the opening of insolvency proceedings, the amount must be returned to the insolvency estate, and the shareholder's right of recourse is subordinated as well.

8) Is it possible to enforce a foreign judgement in Croatia?

Yes. The enforcement of a foreign judgement in Croatia depends on whether the judgement was issued by a court of an EU Member State or by a court of a third (non-EU) country.

Judgements issued in EU Member States are recognised and enforced automatically under the Brussels I Recast Regulation (Regulation (EU) 1215/2012), and therefore no special recognition procedure is required. Enforcement proceeds in the same manner as for domestic court judgements once a standard certificate is obtained from the court of origin.

judgements from non-EU countries are recognised and enforced under the specific requirements of the Private International Law Act or international treaty such as the Convention of 2 July 2019 on the Recognition and Enforcement of Foreign Judgements in Civil or Commercial Matters, if applicable.

Once recognised, the judgement is enforceable through standard enforcement proceedings before Croatian courts.

9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

No, as indicated in the response to Question 1 above, unless carried out based on a banking licence, private credit does not trigger specific reporting obligations similar to obligations applicable for licensed banks.

10) Does a private credit provider have a specific insolvency regime akin to banks in Croatia?

No, to the extent the insolvency proceedings will be governed by Croatian law.

11) Is there an active market in private credit in Croatia, and if yes, typically in what type of finance deals?

No. While the market for private credit in the Republic of Croatia remains relatively limited, please note that there is no clear or transparent delineation between private credit and traditional banking credit. As such, this observation cannot be precisely quantified or substantiated with definitive data.

CZECHIA

1) Do you need a banking or other license to make private loans to entities incorporated in the Czech Republic?

Yes, providing business-to-business loans from own resources on a systematic basis to Czech entities requires a local presence and a free trade licence.

The local presence requirement may be fulfilled either via the establishment of a Czech branch or a separate legal entity.

If the funds originate from deposits or other repayable funds from the public, a banking license or a European passport is required.

2) Are there any rules that limit the interest, fees, or other remuneration?

Yes, although there are no explicit limits for the amount of the interest, fees, or other remuneration, these shall always be set in accordance with the so-called principles of honesty in business dealings.

In addition, in case of loans provided to related parties, the transfer pricing rules apply.

3) Is withholding tax charged on loans made to entities incorporated in the Czech Republic?

No, withholding tax is not charged on interest paid on loans to entities incorporated and tax resident in the Czech Republic. However, if interest is paid to a foreign lender (non-resident), Czech withholding tax generally applies, unless reduced or eliminated under an applicable double taxation treaty.

4) Can a lender take security directly from a borrower?

Yes, subject to limitations set out in the response to Question 5 below, a lender can take security directly from a borrower.

5) Are there any restrictions on financial assistance?

Yes, under Czech law, a Czech joint-stock company or limited liability company is prohibited from granting advance payments, loans, or credits for the purpose of acquiring its own shares, as well as from providing security for such purposes. There are no restrictions on financial assistance applicable to Czech limited partnerships and general partnerships.

In an acquisition financing, the Czech target and its Czech subsidiaries will generally not be able to provide security in relation to the acquisition facility, unless the financial assistance meets the criteria set out by the Czech Business Corporations Act, referred to as a "whitewash procedure".

6) Can a private credit provider act as agent/security agent in club/syndicated deals in the Czech Republic?

Yes, however if the private credit provider acts as agent/security agent on a systematic basis with an aim to generate profit, it must have a local presence and a free trade licence.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

No, under Czech insolvency law, a loan provided by a parent company to its subsidiary is not automatically subordinated. It is treated as a standard unsecured claim unless (i) valid contractual subordination has been agreed, or (ii) the instrument qualifies as a subordinated bond or similar security. Any collateral provided for such a loan remains effective, and the secured portion of the claim is treated as a secured claim.

For completeness, claims arising from corporate participation are not filed as insolvency claims and are satisfied only after all other claims. However, a shareholder loan does not constitute such a participation claim and is therefore not subordinated on that basis.

8) Is it possible to enforce a foreign judgement in the Czech Republic?

Yes, a final and enforceable foreign judgement for the payment of money can generally be recognised and enforced in the Czech Republic, subject to applicable frameworks. For judgements from EU Member States, enforcement is governed by the Brussels Regulation (Regulation No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters) which provides for automatic recognition without review of the merits. For judgements from certain non-EU countries, recognition may be possible under the Hague Convention on the Recognition and Enforcement of Foreign Judgements in Civil or Commercial Matters (2019), provided both states are contracting parties. Additionally, where an exclusive choice of court agreement exists between the parties, the Hague Convention on Choice of Court Agreements (2005) may apply.

(Note: U.S. judgements are currently not enforceable under these instruments.)

9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

No, as indicated in the response to Question 1 above, unless carried out based on a banking licence, the provision of private credit does not trigger specific reporting obligations similar to obligations applicable for licensed banks.

10) Does a private credit provider have a specific insolvency regime akin to the banks in the Czech Republic?

No, to the extent the insolvency proceedings will be governed by Czech law.

11) Is there an active market in private credit in the Czech Republic, and if yes, typically in what type of finance deals?

No, there is only a limited market for private credit in the Czech Republic.

HUNGARY

1) Do you need a banking or other license to make private loans to entities incorporated in Hungary?

Yes, providing loans in a business-like manner to Hungarian entities is subject to licensing requirements in Hungary.

Therefore, a foreign entity may only engage in lending activities in a business-like manner in Hungary in the following ways:

(i) on a cross-border basis or through a local branch, provided that the relevant lender is a credit institution (bank) that has a registered seat in another EU/EEA member state and has duly passported its EU licence to Hungary in accordance with the EU CRD/CRR framework;

(ii) on a cross-border basis, provided that the relevant lender is a financial institution (bank) that is registered in another OECD member state and it has a licence issued by its home supervisory authority of the relevant OECD country;

(iii) through a branch of a third-country credit institution/bank established in Hungary that has obtained a lending licence from the National Bank of Hungary; or

(iv) through a subsidiary financial institution with a registered seat in Hungary that has obtained a lending licence from the National Bank of Hungary.

If none of the above options are available, there may still be some mitigating circumstances or safe harbours (e.g. one-off and/or reverse solicitation exemption) that could reduce the licensing risks to some extent, or potential workarounds that could eliminate them completely. The safest way to eliminate licensing risks completely is to provide financing to a foreign parent company, followed by intra-group financing. In this case, the debt would be transferred to the Hungarian company, which could potentially fall under the 'intra-group exemption' under the Hungarian Banking Act, provided that all the relevant conditions are met.

2) Are there any rules that limit the interest, fees, or other remuneration?

Yes, although in the case of cross-border business-to-business lending, there are no explicit limits for the amount of the interest, fees, or other remuneration.

In addition, in case of loans provided to related parties, the transfer pricing rules apply.

3) Is withholding tax charged on loans made to entities incorporated in Hungary?

Interest payments made by Hungarian corporate taxpayers to foreign companies (i.e. foreign corporations with legal personality) are not subject to domestic withholding tax.

Under certain conditions, interest payments made to foreign companies are non-deductible at the borrower for Hungarian corporate income tax purposes. Specifically, interest paid or payable to a foreign person tax resident or permanent establishment located in a "low tax jurisdiction" (i.e., either a "non-cooperative jurisdiction" or a jurisdiction that applies a corporate income tax rate lower than 9%) is presumed to be non-deductible or partially non-deductible to the extent of under-taxation unless the taxpayer proves that the interest expense arises primarily to achieve a genuine economic advantage other than tax advantage.

4) Can a lender take security directly from a borrower?

Yes, subject to limitations set out in the response to the Question 5 below, the lender can take security directly from a borrower.

In addition, taking security over an asset that is essential for the activities of a strategic company is subject to a filing and acknowledgement process under the Hungarian FDI regime, provided that the security provider qualify as "strategic company" and/ any of the lenders/security beneficiaries (other than credit institutions) qualify as "foreign investors".

5) Are there any restrictions on financial assistance?

Yes, Hungarian public limited companies ("*Nyrt.*") are permitted to provide financial assistance to third parties for the acquisition of shares issued by such public limited companies only under market conditions, form the assets available for the payment of dividends, provided that the general meeting approved such decision by at least a three-quarters majority upon recommendation by the management board.

Any security, guarantee, or other form of financial assistance granted in breach of the prohibition will be void. Furthermore, there may be civil law and/or criminal liability for the directors of the company.

The prohibition only applies to public limited companies ("*Nyrt.*") and, as such, does not apply to Hungarian limited liability companies ("*Kft.*") and private companies limited by shares ("*Zrt.*").

6) Can a private credit provider act as agent/security agent in club/syndicated deals in Hungary?

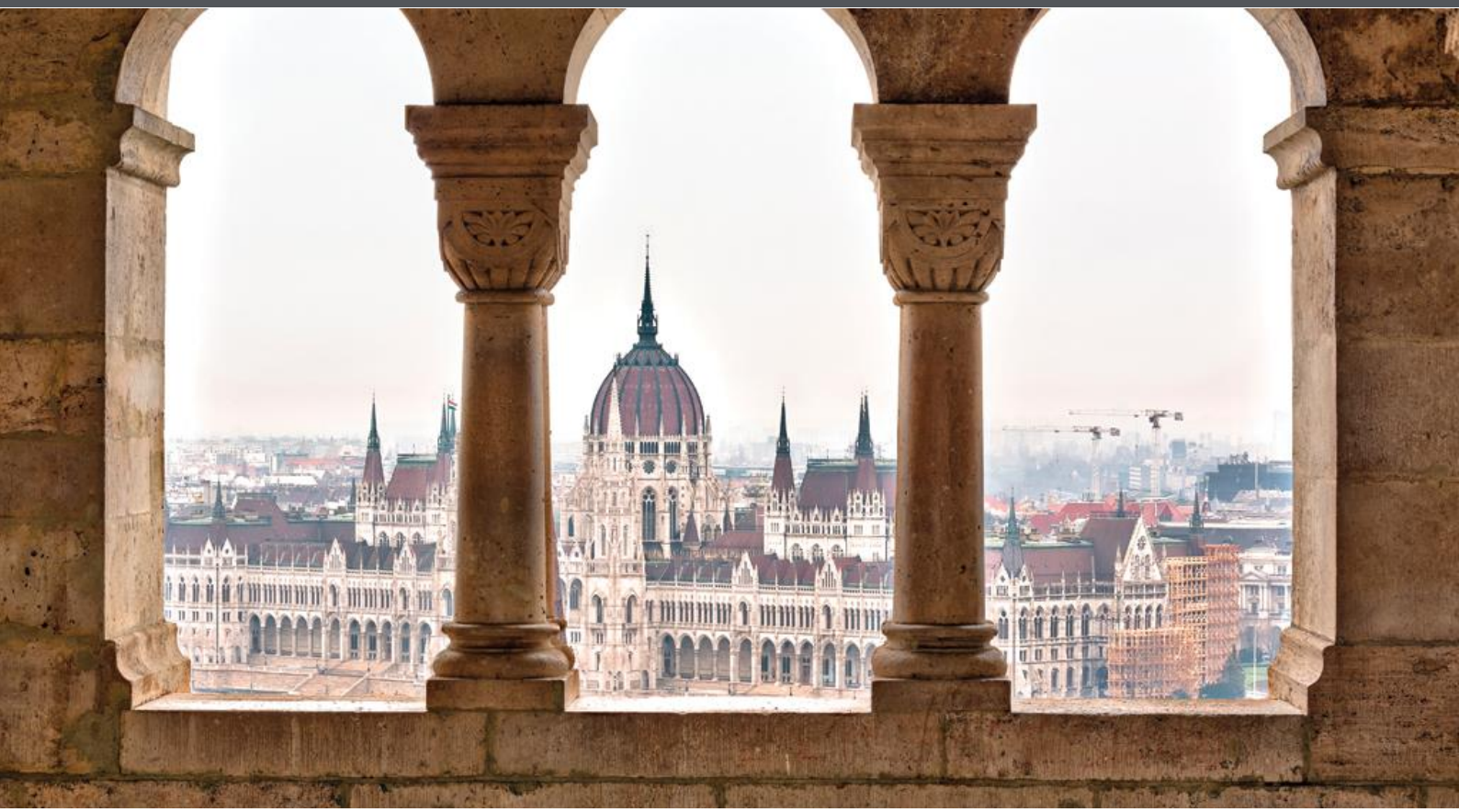
Yes, however, similarly to lending, acting as an agent (or, in certain cases, a security agent) may trigger licensing requirements in Hungary if these services are deemed to be carried out in a "business-like manner" in Hungary.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

Yes, in the event of liquidation proceedings (which is the main insolvent winding-up proceedings) under Hungarian law, a loan provided by a related person (as regulated in the Hungarian Bankruptcy Act) is treated as subordinated and will only be repaid once all other creditors have been repaid. This also applies if the loan was secured.

8) Is it possible to enforce a foreign judgement in Hungary?

Yes, in general, a final and conclusive judgement for payment of money rendered by a foreign court based on a mutual choice of court agreement, which is enforceable in the originating country, may be recognised and enforced in Hungary without review of its merits, according and subject to specific rules depending on the originating country.



9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

No, as indicated in the response to Question 1 above, unless carried out based on a banking or branch licence, private credit does not trigger specific reporting obligations similar to obligations applicable for licensed banks.

10) Does a private credit provider have a specific insolvency regime akin to banks in Hungary?

No, insolvency proceedings will be governed by Hungarian law.

11) Is there an active market in private credit in Hungary, and if yes, typically in what type of finance deals??

No, there is no such market since lending is a regulated service in Hungary, which is a monopoly of banks and other financial institutions that have a licence for lending as per our explanation above.

KAZAKHSTAN

1) Do you need a banking or other license to make private loans to entities incorporated in Kazakhstan?

No, business to business lending is not a licensed activity, with the exception of lending by: (i) banks, (ii) microfinance organisations, (iii) mortgage organisations, (iv) brokers and/or dealers with the right to maintain customer accounts as nominal holders, and (v) certain authorised state legal entities.

2) Are there any rules that limit the interest, fees, or other remuneration?

No, there are no explicit limits for the amount of the interest, fees, or other remuneration. However, these shall always be set with good faith, reasonableness and fairness, as well as in compliance with business ethics rules.

In addition, in case of loans provided to related parties on a cross-border basis, the transfer pricing rules may apply.

3) Is withholding tax charged on loans made to entities incorporated in Kazakhstan?

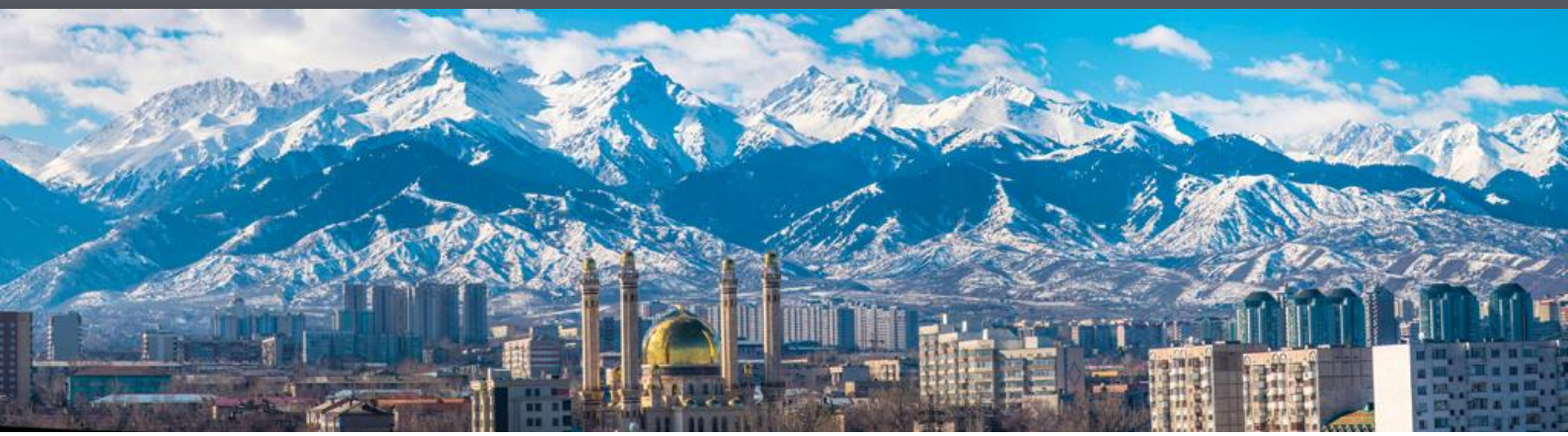
Yes, withholding tax is charged on interest from loans payable by entities incorporated in the Republic of Kazakhstan to foreign private creditors, unless reduced or eliminated under an applicable double taxation treaty. No withholding tax is charged on interest payable to Kazakhstan residents.

4) Can a lender take security directly from a borrower?

Yes, a lender can take security directly from a borrower.

5) Are there any restrictions on financial assistance?

No, there are no such restrictions with respect to business-to-business (excluding banks) lending.



6) Can a private credit provider act as agent/security agent in club/syndicated deals in Kazakhstan?

Yes, however in practice to register a security interest, a private credit provider will need to acquire a business identification number in Kazakhstan (which is a purely administrative procedure). We note that Kazakhstan law does not expressly recognise the concept of a security agent or trustee and requires the security holder to be the creditor of the secured claim. This is typically satisfied by introducing parallel debt structures in the finance documents whereby the borrower has a separate, independent obligation to the security agent equal to the total debt owed to all lenders. Parallel debt structure is widely used in Kazakhstan but has not yet been tested by Kazakhstan courts. Since January 2021, there is a new concept of joint security holders under which each security holder/creditor holds the full security package to satisfy its claims. This concept has not been widely used in practice and is yet to be tested.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

No, Kazakhstan law does not recognise the doctrine of equitable subordination. Parent company loans to subsidiaries are treated as standard claims. However, in a subsidiary's insolvency proceedings, such claims of the parent company are not included into the list of creditor claims and are satisfied only after all other claims.

8) Is it possible to enforce a foreign judgement in Kazakhstan?

Yes, foreign court judgements are generally enforceable in Kazakhstan provided there is a treaty between Kazakhstan and the foreign court country or on the basis of reciprocity (though there is limited practice and no official guidance on this matter, and currently it is uncertain whether or not Kazakhstan courts will enforce foreign court judgements on the basis of reciprocity.

Kazakhstan is party to the New York Convention (though it has not ratified it). Therefore, a foreign arbitral award obtained in a state which is a party to the New York Convention will generally be enforceable by a Kazakhstan court, subject to the qualifications in the New York Convention and compliance with Kazakhstan‘s civil procedure and the procedures established by the Kazakhstan law on commercial arbitration for the enforcement of arbitral awards.

9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

No, private credit does not trigger specific reporting obligations similar to the obligations applicable for licensed banks. Nevertheless, a cross-border private credit transaction exceeding USD 500,000 (or its equivalent) may trigger currency control requirements under which a resident-party to such cross-border transaction is subject to currency control registration and subsequent reporting requirements.

10) Does a private credit provider have a specific insolvency regime akin to the banks in Kazakhstan?

No, there is no special insolvency regime for private credit providers. They are subject to the general insolvency regulation under Kazakhstan law.

11) Is there an active market in private credit in Kazakhstan, and if yes, typically in what type of finance deals?

No, Kazakhstan has does not have an active private credit market.

ROMANIA

1) Do you need a banking or other license to make private loans to entities incorporated in Romania?

Yes, lending on a systematic basis is a regulated activity in Romania, requiring licensing even in a business-to-business setting.

The lending activity can be carried out by financial institutions, such as banks and non-bank financial institutions under the close supervision of the National Bank of Romania.

Professional lending activity can be carried out by financial institutions incorporated in other EU Member States:

(i) through a local subsidiary incorporated in Romania;

(ii) through a branch (of a financial institution incorporated in another EU Member States) established in Romania;

(iii) directly on the basis of their home state license and an EU passport.

Reverse solicitation is a regulated concept in Romanian legislation only in capital markets laws. It applies when a Romanian investor independently requests investment services from a foreign financial firm, without any form of prior marketing or outreach by the firm in Romania. In such cases, the foreign firm is not required to obtain authorisation from the Romanian Financial Supervisory Authority.

Although reverse solicitation is not defined in Romanian banking law, a similar approach is used in practice.

2) Are there any rules that limit the interest, fees or other remuneration?

As the loans are to be given out in a business-to-business setting, rules regarding the freedom to contract apply, while the legislation regarding consumer protection or abusive clauses are not applicable. However, the principles of honesty in business dealings and good faith must be observed.

Moreover, transfer pricing rules should also be factored in if the parties to the loan are related parties.

If the interest rate is not stipulated in the loan agreement, its rate shall be the one set out by Romanian legislation, as follows: (i) the interest rate shall be set at the reference interest rate of the National Bank of Romania, which is the monetary policy interest rate set by decision of the Board of Directors of the National Bank of Romania, and (ii) the default interest rate shall be set at the reference interest rate plus eight percentage points.

3) Is withholding tax charged on loans made to entities incorporated in Romania?

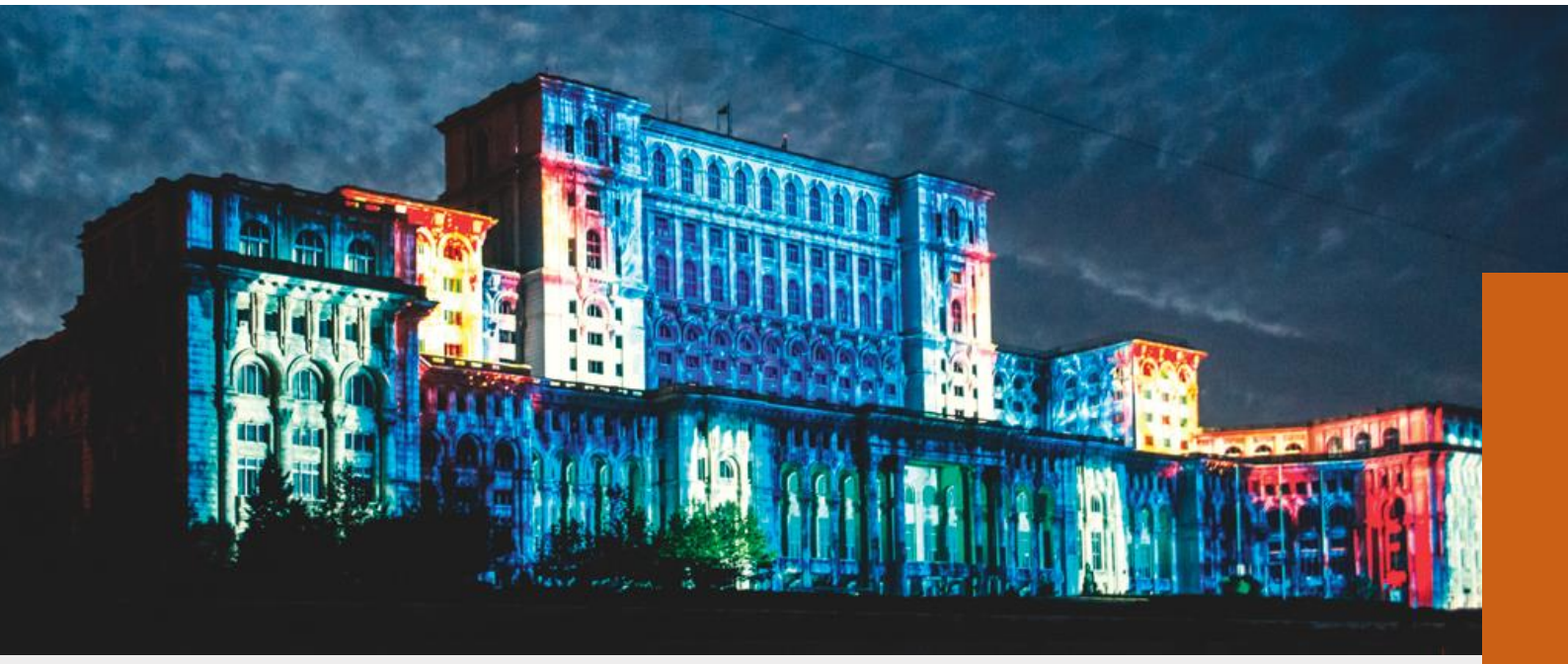
Yes, withholding tax is charged on loans made by foreign investment funds to entities incorporated in Romania, subject to conventions for the avoidance of double taxation and the tax levels provided therein.

4) Can a lender take security directly from a borrower?

Yes, subject to limitations set out below in the response to Question 5, a lender may take security directly from a borrower.

Moreover, Romanian law requires the existence of a corporate benefit when granting security. Romanian companies are required to receive corporate benefit from entering into any type of agreement, since all commercial companies are set up for lucrative purposes, in order to make a profit. Whether or not a company derives sufficient corporate benefit in the context of a transaction is a matter of fact to be evaluated on a case-by-case basis. The prior written authorisation of a transaction by the appropriate corporate body (e.g., general meeting of shareholders) is not sufficient in order to validate that transaction in the absence of corporate benefit.

While not expressly regulated, downstream, upstream, and cross-stream guarantees are common in practice and enforceable, if properly structured in order to address corporate benefit concerns (in line with the above). Upstream guarantees must be substantiated by the commercial interests of the subsidiary, in order to avoid potential challenges against inter alia the parent company on misuse of corporate assets. Guarantees granted in favour of foreign affiliates have the same legal regime as those granted in favour of local affiliates.



5) Are there any restrictions on financial assistance?

Yes, it is unlawful for a joint-stock company to give, whether by means of a loan, guarantee, security or otherwise, any financial assistance for the purchase of, or subscription of its own shares by a third party. The prohibition does not apply to (i) credit or financial institutions in relation to transactions carried out in their ordinary course of business, and (ii) transactions made for the purchase of shares by or for the employees of the company, provided such transaction does not result in a reduction of the company's net assets below the aggregate of the company's share capital and statutory reserves (as provided by the law or the company's by-laws). Also, the prohibition is generally believed not to apply to limited liability companies, as the legislation does not expressly provide that the prohibition applies to them. Nevertheless, such conclusion has not yet been in the Romanian courts (to our knowledge).

There is no "whitewash procedure" under Romanian law.

Additionally, a company is prohibited from granting loans or guarantees to a company that has the same director or in which the director holds, either directly or indirectly, a participation exceeding 20%.

6) Can a private credit provider act as agent/security agent in club/syndicated deals in Romania?

Yes, under the condition that the private credit provider does not provide any activities that constitute a regulated banking business.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

Yes, in the event of bankruptcy under Romanian law, any repayments made to creditors who, directly or indirectly, control, are controlled by, or are under joint control with the debtor are to be made in accordance with the order of priority of subordinated claims. Therefore, even though the concept of "equitable subordination" is not expressly defined by Romanian insolvency regulations, the loans provided by a parent company to its subsidiary are to be repaid only after other unsecured claims.

Other subordinated claims include (i) credits granted to a debtor who is a legal person, by a shareholder holding at least 10% of the share capital; (ii) benefits not distributed to shareholders; and (iii) claims arising from gratuitous acts.

8) Is it possible to enforce a foreign judgement in Romania?

Yes, a final judgement issued by a court from a foreign country may be recognised and enforced in Romania, subject to certain requirements depending on the relevant applicable international law or, as the case may be, treaties and conventions, as well as the originating country. As Romania is an EU Member State, judgements given in other Member States shall be recognised without any special procedure, while the recognition and enforcement of judgements given in non-EU states are subject to specific conditions regarding finality, competence, public order, the right to a defence, etc.

9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

No, however, Romanian legislation provides for an obligation to report long-term private external debt operations, meaning loans with a maturity of more than one year, received by residents from non-residents, consisting of repayable financing on a contractual basis, such as standard financial loans, syndicated loans, credit lines, financial leasing operations, mortgage and consumer credit, and other similar operations (except for loans of a public external debt nature). Residents (in this case, debtors) who have concluded such agreements with non-residents are required to notify the National Bank of Romania within 30 calendar days from the date of the execution of the agreement. Therefore, the reporting obligation belongs to the debtor, not the foreign private credit provider. Moreover, any amendment to the aspects initially notified to the National Bank of Romania shall also be notified.

As the private credit provider does not qualify as a financial institution, it does not have the reporting obligations specific to banks and non-bank financial institutions.

10) Does a private credit provider have a specific insolvency regime akin to the banks in Romania?

No, insolvency proceedings regarding a private credit provider will follow the general insolvency regulations for Romanian companies. Specific insolvency provisions only apply for banks, non-bank financial institutions, and insurance companies.

11) Is there an active market in private credit in Romania, and if yes, typically in what type of finance deals?

No, due to the strict regulatory regime and the banking license requirement, the market for private credit in Romania is limited at the moment.

SERBIA

1) Do you need a banking or other license to make private loans to entities incorporated in Serbia?

Providing business-to-business loans from own resources on a systematic basis to Serbian entities requires a local presence and a banking licence. According to the Serbian Banking Act, no person other than a bank licensed in Serbia may engage in the granting of loans unless authorised by law.

The Serbian Foreign Exchange Act ("**F/X Act"**) is one Serbian law that allows foreign entities (i.e., entities not established and licensed in Serbia) to provide cross-border loans to Serbian entities, subject to certain limitations. It allows Serbian entities to borrow from foreign lenders on a cross-border basis without the lenders needing to obtain a banking licence in Serbia for this purpose. However, the F/X Act also imposes certain restrictions on cross-border financial transactions involving Serbian residents. Specifically, the Serbian borrower is required to register each loan with the National Bank of Serbia ("**NBS**"), which is the country's central bank and foreign exchange regulator.

Another piece of legislation that allows for certain forms of non-bank lending is the Payment Services Act. According to this Act, a locally licensed payment institution may grant loans, provided that certain conditions are met, i.e.:

- the granting of loans is an operational and ancillary activity directly related to the provision of payment services and does not jeopardise the safety and soundness of that part of the payment institution's operations relating to the provision of payment services;
- such loans must meet certain criteria: (i) the loan is granted for the sole purpose of executing a payment transaction, (ii) the repayment period of the loan does not exceed 12 months; (iii) the loan is not granted from the funds of payment service users received by a payment institution for the execution of payment transactions of those users; and (iv) the own funds of a payment institution are always adequate to cover the total amount of the loans granted, in accordance with the capital requirements prescribed by the NBS.

2) Are there any rules that limit the interest, fees, or other remuneration?

Although there are no explicit limits for the amount of the interest, fees or other remuneration when it comes to corporate borrowers, these shall always be set in accordance with the so-called principles of honesty in business dealings.

In addition, in case of loans provided to related parties, the transfer pricing rules apply.

3) Is withholding tax charged on loans made to entities incorporated in Serbia?

In accordance with the Serbian Corporate Income Tax Act, income realised by the non-resident legal entity on the basis of interest paid by a Serbian resident is subject to Serbian withholding tax at the rate of 20% (calculated on the gross interest amount), unless otherwise is provided in a double taxation treaty that Serbia may have in place with the country of residence of the interest income recipient.

Conversely, withholding tax is not applied to loans made between entities incorporated in Serbia.

4) Can a lender take security directly from a borrower?

Subject to limitations set out in in the response to Question 5 below, a lender can take security directly from a borrower.

5) Are there any restrictions on financial assistance?

According to the Serbian Companies Act, a company may not, directly or indirectly, provide financial assistance of any kind (e.g., loans, guarantees, sureties, and security interest over its assets) to its shareholders, employees, or third parties for the acquisition of its shares. Serbian law does not provide for any special procedure that would allow for an exemption to the application of the general prohibition of financial assistance.

Any such financing generally also may result in a violation of the capital maintenance rules. Under Serbian capital maintenance rules, the granting of up-stream / side-stream loans, facilities, financings, guarantees, or security interests is subject to limitations. Serbian capital maintenance rules do not allow repayment of capital to shareholders of Serbian companies. Generally, shareholders are entitled to: (i) dividends (i.e., distribution of the net balance sheet profits of the company), (ii) funds and assets received in a formal capital reduction (subject to creditor protection provisions), (iii) liquidation surpluses (also subject to creditor protection provisions), and (iv) consideration received in arms-length transactions with the company (subject to strict corporate procedures for approving intra-group transactions and possible personal interest of related parties).

Further to the corporate law guarantee limitations set out above, Serbian F/X and capital control rules impose additional limitations. The F/X Act requires that all cross-border guarantees and securities taken from Serbian entities need to be cleared and registered with the NBS. In this registration process, the NBS has a wide discretion and very rigid practice, and it is not unusual that the NBS refuses to register a transaction if it deems it contrary to the Serbian F/X Act or the NBS's monetary policy. The NBS may, on a case-by-case basis, discretionally decide to impose case-specific limitations (including outright prohibition of cross-border guarantees and securities), taking into account: (i) the effects to (excess) capital outflows from the Republic of Serbia due to such transaction; (ii) solvency and liquidity of a proposed Serbian obligor; and (iii) adequacy of collateral instruments in favour of a Serbian entity.

6) Can a private credit provider act as agent/security agent in club/syndicated deals in Serbia?

Yes, however if the private credit provider acts as agent/security agent on a systematic basis with an aim to generate profit, it must have a local presence and a banking licence.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

Yes, in the event of insolvency proceedings under Serbian law, a loan provided by an affiliated person (as defined in the Serbian Insolvency Act) is treated as subordinated and will only be repaid once all other creditors have been repaid. This also applies if the loan was secured.

Collateral provided by a subordinated company ("**SubCo**") for loans by an affiliated person will not have any legal effect in case of insolvency of the SubCo, if (a) insolvency is effectively opened (i.e., not merely initiated) within one year after the collateral was provided, or (b) if the SubCo was insolvent at the time when the collateral was provided. Re-payments by a SubCo under loans granted by an affiliated person are subject to claw-back, if made within one year prior to the opening of insolvency proceedings against the SubCo.

Likewise, the Insolvency Act provides that any security interest acquired through enforcement procedures or as security within 60 days before the opening of the insolvency proceedings shall terminate, and the respective creditors, affiliated or not, shall be deemed as unsecured creditors.

8) Is it possible to enforce a foreign judgement in Serbia?

Generally, a final court decision rendered outside Serbia will be recognised by the Serbian courts, unless:

i. the decision does not comply with Serbian public policy or the provisions concerning exclusive jurisdiction set out by Serbian law;

ii. the decision was rendered in default of appearance, or there is no evidence that the defendant was served with the document that instituted the proceedings or an equivalent document in sufficient time as to enable the defendant to arrange for its own defence;

iii. the decision cannot be reconciled with a court decision rendered by a Serbian court in connection with a dispute between the same parties (*res iudicata*);

iv. the decision cannot be reconciled with a court decision previously rendered by a foreign court in connection with a dispute between the same parties in the same matter, if the previous court decision has already been recognised in Serbia;

v. the decision, the enforcement of which is sought in Serbia, cannot be executed pursuant to the law of the jurisdiction in which it was rendered, or no evidence of the foreign writ of execution can be supplied; or

vi. the reciprocity criterion for the enforcement of such decision is not fulfilled.

Under Serbian law, reciprocity in the enforcement of court judgements is established (i) on the basis of (bilateral or multilateral) treaties stipulating such reciprocity, or (ii) in case of factual reciprocity.

9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

As indicated in paragraphs in the responses to Questions 1 and 5 above, private credit does not trigger specific reporting obligations similar to those applicable to licensed banks, unless it is carried out based on a banking licence or payment institution licence, or on a cross-border basis (in which case each cross-border transaction must be registered with the NBS).

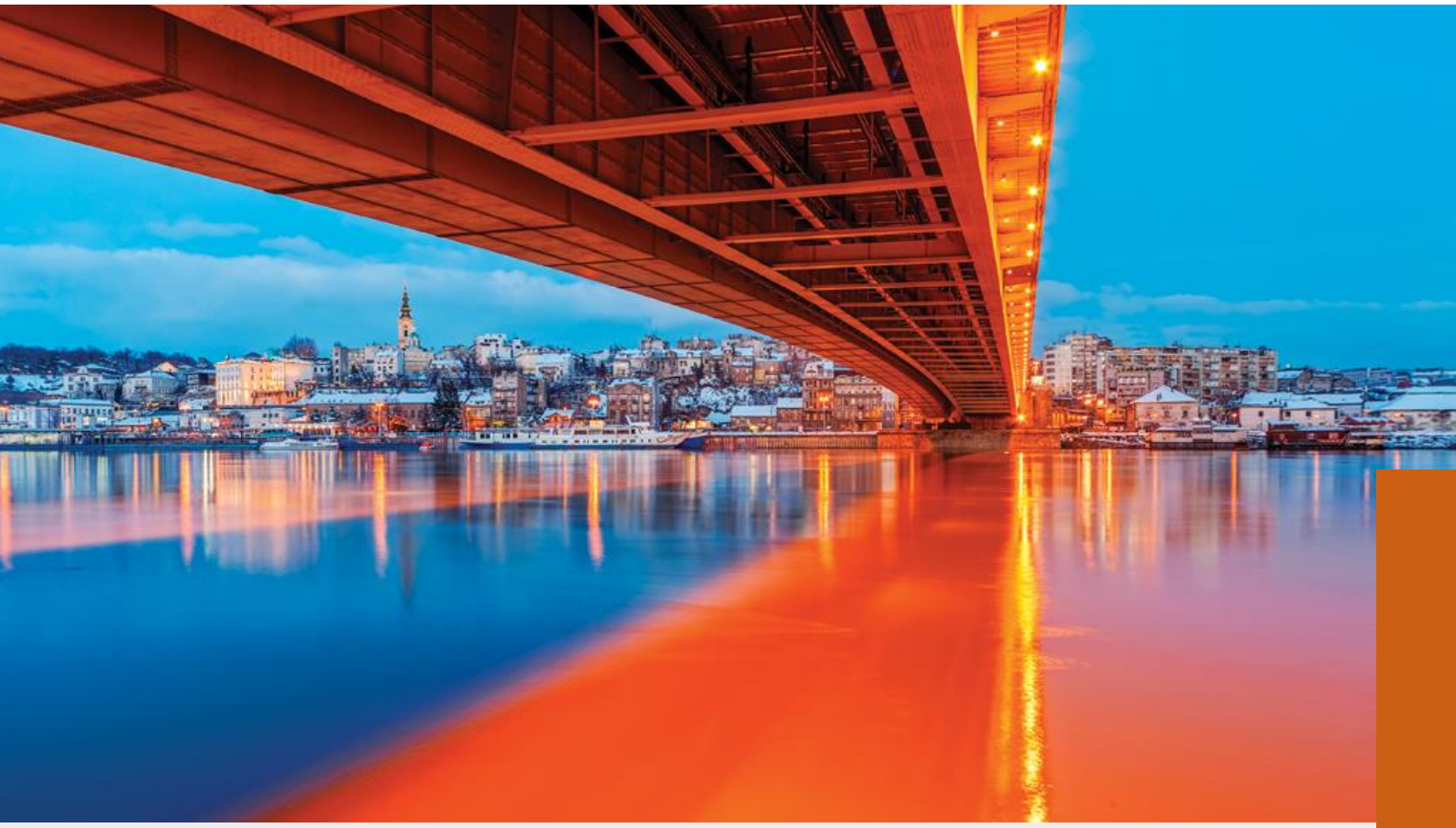
10) Does a private credit provider have a specific insolvency regime akin to the banks in Serbia?

No, to the extent the insolvency proceedings will be governed by Serbian law.

11) Is there an active market in private credit in Serbia, and if yes, typically in what type of finance deals?

Bearing in mind that raising capital on the capital markets through the issuance of bonds and notes has yet to take off in Serbia to any significant degree, most corporate finance in Serbia is currently provided by bank lenders, either domestic or foreign banks or their syndicates.

Nevertheless, some of these corporate loans may eventually end up in a secondary debt market outside the banking sector. The NBS allows local banks to transfer certain types of their loans to either another Serbian bank or to another legal entity (e.g., an unlicensed company) incorporated in Serbia, in order to reduce non-performing assets. The transferability of these loans depends on their performance, i.e., loans that may be transferred outside the banking sector are: (i) non-performing loans–loans to corporate clients (including entrepreneurs and farmers) that have been declared past due; and (ii) problematic performing loans–still performing loans that are classified as problematic by the selling bank.



SLOVAKIA

1) Do you need a banking or other license to make private loans to entities incorporated in Slovakia?

Yes, providing business-to-business loans from own resources on a systematic basis to Slovak entities requires a local presence and a free trade licence.

The local presence requirement may be fulfilled either via the establishment of a Slovak branch or a separate legal entity.

If the funds originate from deposits or other repayable funds from the public, a banking license or a European passport is required.

2) Are there any rules that limit interest, fees, or other remuneration?

Yes, although there are no explicit limits for the amount of interest, fees, or other remuneration, these shall always be set in accordance with the so-called principles of honesty in business dealings.

In addition, in case of loans provided to related parties, the transfer pricing rules apply.

3) Is withholding tax charged on loans made to entities incorporated in Slovakia?

No, withholding tax is not charged on loans made to entities incorporated in Slovakia.

4) Can a lender take security directly from a borrower?

Yes, subject to limitations set out in the response to Question 5 below, a lender can take security directly from a borrower.

5) Are there any restrictions on financial assistance in this jurisdiction?

Yes, granting advance payments, loans, or credits by a Slovak joint stock company for the purpose of acquiring its shares and granting security by such company for this purpose is possible only subject to carrying out the so-called "white-wash procedure".

There are no restrictions on financial assistance applicable to Slovak limited liability companies.

In addition, a prohibition against the of return of a contribution to the share capital applies under Slovak law irrespective of the legal form of the borrower. In accordance with the applicable rules, a performance without adequate consideration provided by the company on the basis of a legal act agreed with or for the benefit of a shareholder, regardless of the form of the agreement or its validity, is considered as a return of contribution to the share capital. This also applies to performance provided by the company on the basis of a guarantee, accession to an obligation, or security provided by the company to secure the obligations of a shareholder or for the benefit of a shareholder.

6) Can a private credit provider act as agent/security agent in club/syndicated deals in Slovakia?

Yes, however if the private credit provider acts as agent/security agent on a systematic basis with an aim to generate profit, it must have a local presence and a free trade licence.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

Yes, in the event of insolvency proceedings under Slovak law, a loan provided by a related person (as defined in the Slovak Insolvency Act) is treated as subordinated and will only be repaid once all other creditors have been repaid. This also applies if the loan was secured.

Further, Slovak law recognises a regime of a company in a crisis, under which a company is deemed to be in crisis when it is insolvent (within the meaning of the Slovak Insolvency Act) or at risk of becoming insolvent, which is the case if a company's equity-to-debt ratio is lower than 8:100.

Loans and similar payments provided to a company in crisis by its statutory body (director), a proxy, a member of the supervisory board, a shareholder holding at least 5% of capital, or an associated person, are treated as equity under the special regime, and any refund of such contributions by the company during the crisis is prohibited. Further, when a security (guarantee, pledge, etc.) is provided by the above-mentioned persons to secure an obligation of a company in crisis, the company's creditor is entitled to be satisfied directly from such security, without the need to exercise its right against the company first.

8) Is it possible to enforce a foreign judgement in Slovakia?

Yes, a final and conclusive judgement for payment of money rendered by a foreign court, which is enforceable in the originating country, may be recognised and enforced in Slovakia without review of its merits, according and subject to specific rules depending on the originating country.

9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

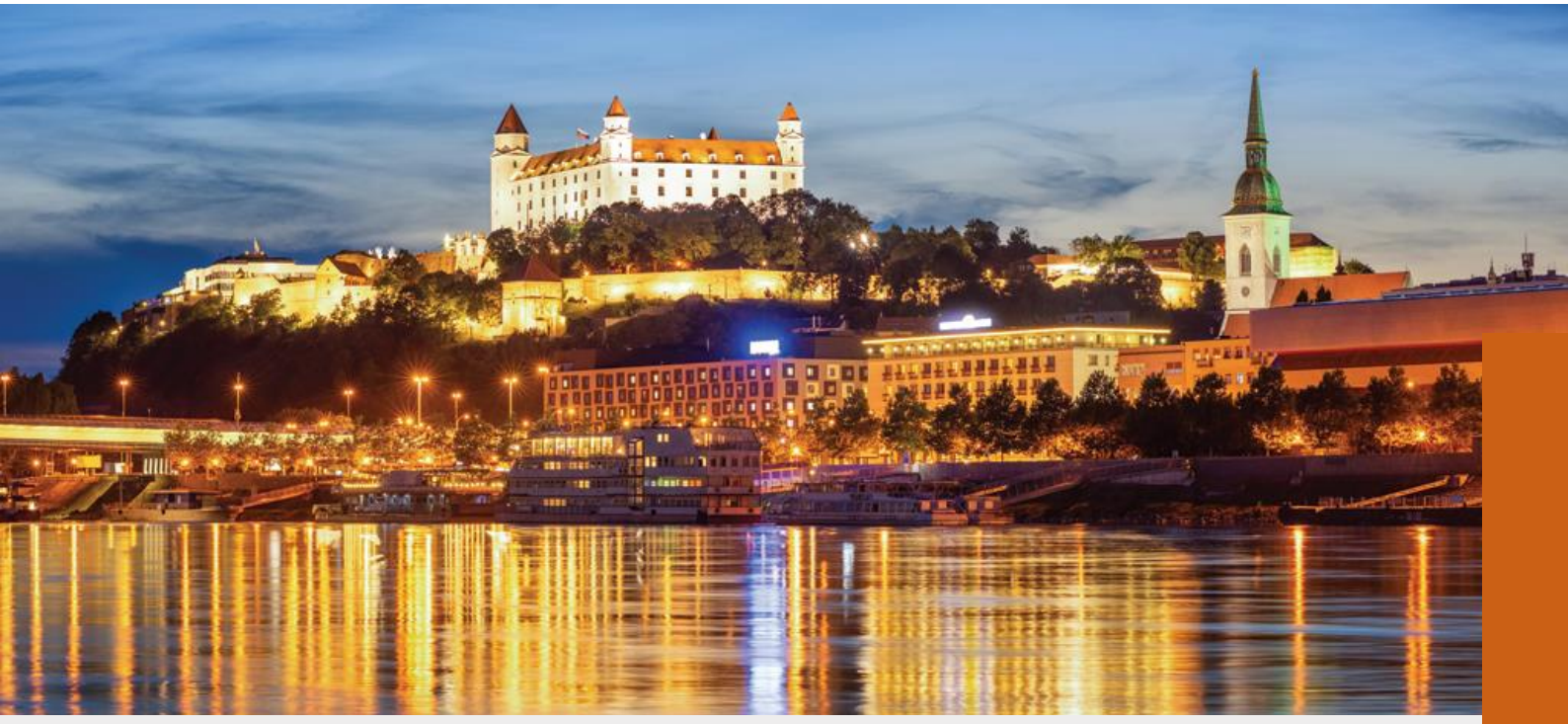
No, as indicated in the response to Question 1 above, unless carried out based on a banking licence, private credit does not trigger specific reporting obligations similar to obligations applicable for licensed banks.

10) Does a private credit provider have a specific insolvency regime akin to the banks in Slovakia?

No, the insolvency proceedings will be governed by Slovak law.

11) Is there an active market in private credit in Slovakia, and if yes, typically in what type of finance deals?

No, there is only a limited market for private credit in Slovakia.



TURKEY

1) Do you need a banking or other license to make private loans to entities incorporated in Turkey?

Yes, as giving credits is considered as banking activity under Article 4 of the Turkish Banking Law No. 5411, it requires a license from the Banking Regulation and Supervision Agency.

However, a foreign entity may benefit from the non-solicitation principle: a foreign entity is not required to obtain a license in Turkey to provide loans to Turkish residents, provided that it does not engage in any active marketing or promotion of its lending activities in Turkey or towards Turkish residents. Turkish legislation does not provide an explicit definition of what constitutes marketing activities, so it can be interpreted broadly in practice, covering any form of communication or initiative of foreign entities, aimed at offering or promoting products or services to Turkish residents. As such, as long as the foreign entity does not actively market its services to Turkish residents in a manner that presents itself as regularly conducting licensed banking activities in Turkey, it will not be subject to Turkish banking licensing requirements.

2) Are there any rules that limit the interest, fees, or other remuneration?

No, parties can freely agree on term interest and default interest; however, excessive interest may be deemed invalid under the Turkish Code of Obligations.

Further, Article 3 of the Law No. 3095 on Legal Interest and Default Interest prohibits the compound interest (without defining the term), subject to the specific provisions on interest under the Turkish Commercial Code No. 6102 ("**TCC**"). Article 8(2) of the TCC provides that, in the commercial loan facilities, the compound interest (which is defined as accrual of interest on principal payment plus previous terms' interest) is permitted only where the interval of compound accrual of interest is not less than three months. Article 8(4) of the TCC makes it clear that any accrual of compound interest in contravention to Article 8(2) shall be deemed void.

3) Is withholding tax charged on loans made to entities incorporated in Turkey?

Yes, withholding tax applies on interest payments. The standard withholding tax rate varies depending on the lender's identity and the currency of the loan. In this case, if it is a non-financial institution resident abroad, the withholding tax would be applied at 10% and the VAT as 20%. When a double taxation treaty exists between Turkey and the country of residence of the foreign entity, and the treaty specifies a lower tax rate or provides an exemption compared to Turkish tax law, the entity may benefit from the more favourable tax rate or exemption outlined in the treaty.

4) Can a lender take security directly from a borrower?

Yes, a lender can take security directly from a borrower, including mortgages and pledges subject to formal requirements, depending on the type of collateral.

5) Are there any restrictions on financial assistance?

Yes, pursuant to Article 380 of the Turkish Commercial Code, a Turkish joint-stock company is not permitted to advance funds, provide loans or establish any type of security or provide a guarantee to any third party to facilitate the acquisition of its own shares. Any transaction causing a Turkish joint-stock company to provide such unlawful financial assistance will be void.

6) Can a private credit provider act as agent/security agent in club/syndicated deals in Turkey?

Yes, the concept of a security agent is implemented in Turkish law practice through a parallel debt structure. However under Turkish law, the parallel debt structure has not been tested and confirmed by a Turkish court decision so far. An abstract acknowledgement of debt is valid and effective pursuant to Article 18 of the Turkish Code of Obligations. If, however, such acknowledgement does not in fact have a proper reason behind it, then the debtor may claim that such abstract acknowledgement of debt is invalid. In the case of a dispute on the validity of parallel debt, a Turkish court will render its decision on a case-by-case basis, taking into account all particulars of the case.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

No, loans provided by a parent company to its subsidiary are not considered as equitably subordinated unless the subordination is agreed contractually between the parties.

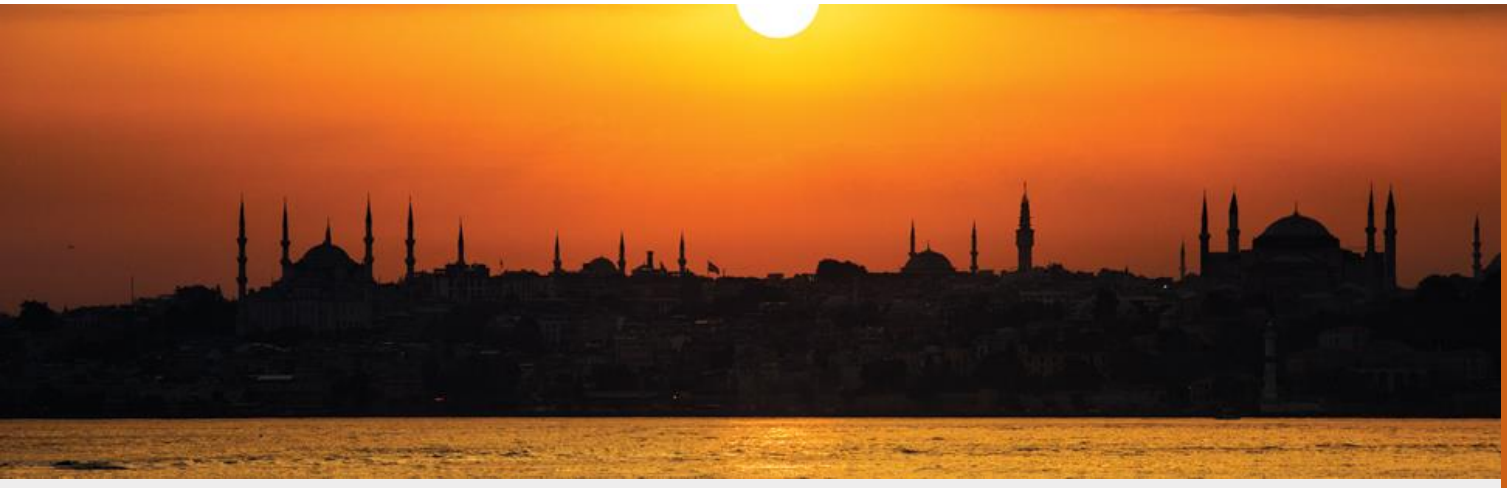
8) Is it possible to enforce a foreign judgement in Turkey?

Yes, foreign judgements either obtained by a foreign court or a foreign arbitral award, can be enforced in Turkey through recognition and enforcement given that certain conditions are met under the Turkish Private International Law.

As to the enforcement of a judgement obtained from a foreign court, under the International Private and Procedure Law, the courts of Turkey will not enforce any judgement obtained in a court established in a country other than Turkey unless: (a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgements; (b) there is de facto enforcement in such country of judgements rendered by Turkish courts; or (c) there is a provision in the laws of such country that provides for the enforcement of judgements of Turkish courts (*de lege* reciprocity).

Also, Turkish court may refuse to enforce a decision by a foreign court if (i) the defendant's fundamental procedural rights were not observed; (ii) the subject matter of the judgement is within the exclusive jurisdiction of the courts of Turkey; (iii) the judgement is incompatible with a previously rendered decision for the same parties and relating to the same issues; (iv) the dispute is not of a civil nature; (v) the decision is clearly against the public policy rules of Turkey; (vi) the court did not have jurisdiction to render such judgement; (vii) the decision is not final and binding; or (viii) the foreign court claimed excessive jurisdiction.

As to the enforcement of a foreign arbitral award, since 1991 Turkey is part of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Arbitration Convention), which facilitates the recognition and enforcement procedures. Accordingly, unless a refusal ground is triggered as per the New York Artbitration Convention, the Turkish courts would enforce foreign arbitral award as well.



9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

No, as long as the foreign private credit provider enjoys the non-solicitation exception described in the response to Question 1 above, and does not hold a banking license in Turkey, it would not be obliged with the reporting obligations applicable to the licensed banks.

10) Does a private credit provider have a specific insolvency regime akin to the banks in Turkey?

No, as long as the foreign private credit provider enjoys the non-solicitation exception described in the response to Question 1 above, and does not hold a banking license in Turkey, the specific insolvency regime akin to the licensed banks would not apply.

11) Is there an active market in private credit in Turkey, and if yes, typically in what type of finance deals?

No, since issuing credit is an activity reserved exclusively for licensed banks in Turkey, the private credit sector is limited to specific cases where the credit is extended by respecting the non-solicitation principle.

Also, under Turkish law, securities to be provided to banks in relation to a loan extended by a local or foreign bank enjoys certain tax advantages, such as the exemption from stamp duty. Further, certain legislative exceptions for establishing securities (such as the ability to establish a mortgage denominated in foreign currency) is exclusively granted to local or foreign banks.

As such, due to the (i) licensing requirement for extending loans unless the non-solicitation principle is respected, and (ii) certain tax exemptions and legislative exceptions applicable exclusively for licensed banks, the private credit sector in Turkey is not very active.

UKRAINE

1) Do you need a banking or other license to make private loans to entities incorporated in Ukraine?

As a general rule, non-resident lenders may provide cross-border interest-bearing loans to Ukrainian companies without obtaining a licence.

Ukrainian residents may also grant such loans, provided that the activity is not carried out on a regular or systematic basis and is not funded by borrowed or attracted capital. However, if a Ukrainian resident regularly provides interest-bearing loans and/or uses borrowed funds for this purpose, such activity qualifies as financial services and requires either a financial institution licence or a banking licence.

2) Are there any rules that limit the interest, fees, or other remuneration?

Currently, due to the regime of martial law, Ukrainian regulations impose restrictions on cross-border lending (loans received by Ukrainian borrowers from foreign lenders).

The maximum interest rate on such an external loan from a non-resident lender cannot exceed 12% per annum, calculated on an all-in basis (including all commissions, fees, and charges stipulated under the loan agreement). There are also certain restrictions on the repayment of foreign loans, such as:

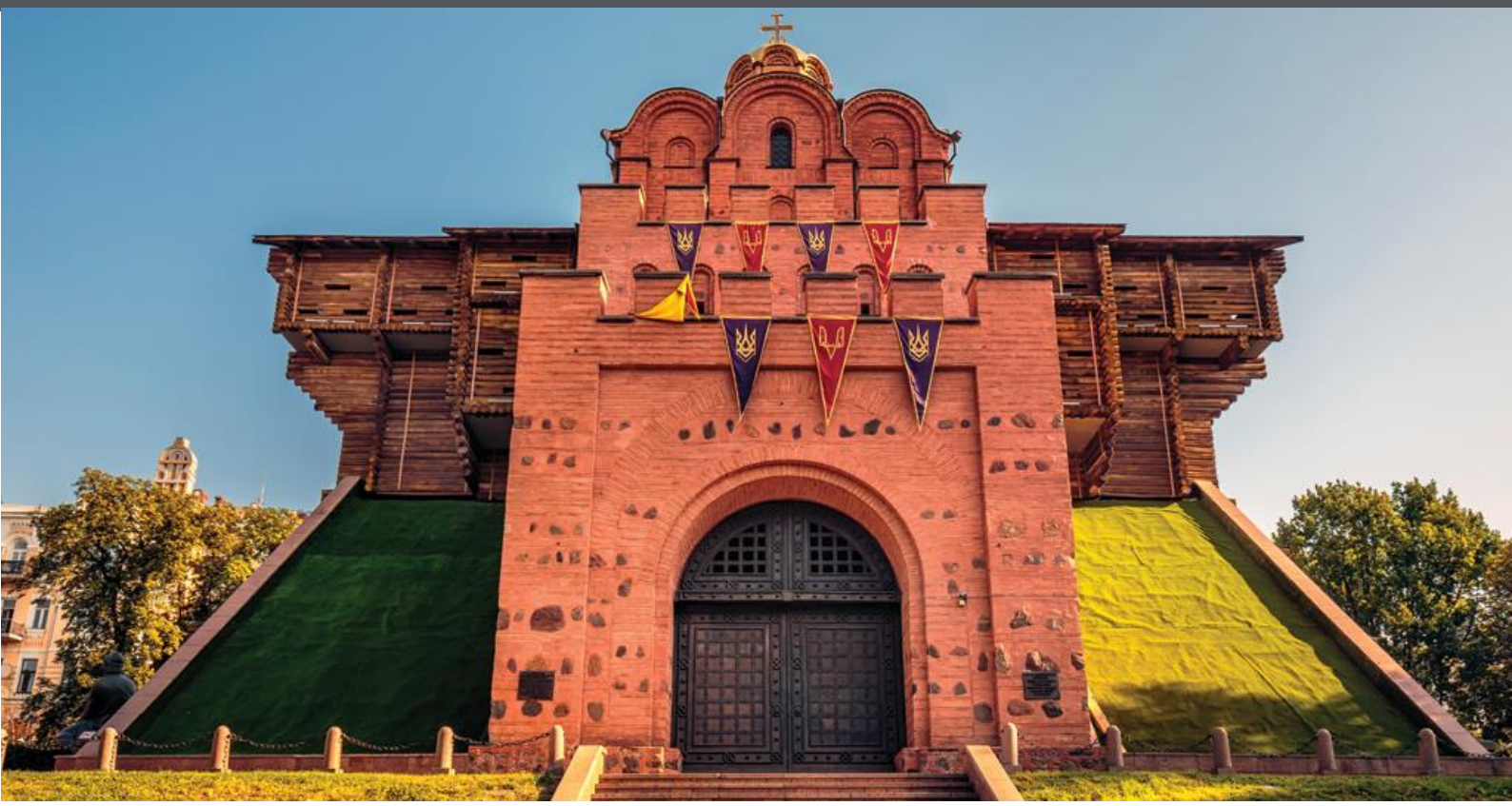
- principal repayment during the first year must be made only from the borrower's own foreign currency funds (not from currency purchased on the interbank market); and
- aarly repayment of foreign loans is currently prohibited.

Martial law currency control restrictions tend to change regularly, therefore they must be properly assessed in view of any contemplated cross-border lending.
Regarding loans between Ukrainian residents, there are no explicit statutory caps. However, like all contractual terms, the loan agreement must comply with the general principles of fairness, good faith, and reasonableness as established by the Civil Code of Ukraine.

3) Is withholding tax charged on loans made to entities incorporated in Ukaine?

Yes, withholding tax ("**WHT**") is generally charged on interest paid on loans made by a non-resident lender to a Ukrainian entity.

The default WHT rate for interest is 15%. However, if the lender is a resident of a country that has a double taxation treaty with Ukraine, this rate is typically reduced, depending on the specific treaty provisions.



4) Can a lender take security directly from a borrower?

Yes, Ukrainian legislation explicitly permits a lender to take security directly from a borrower and/or a third party to secure the borrower's obligations to the lender.

5) Are there any restrictions on financial assistance?

Yes, both limited liability companies and joint-stock companies are subject to financial assistance restrictions.

Limited liability companies ("**LLC**") are prohibited from (i) providing a loan to its participant for payment of that participant's contribution to the charter capital, and (ii) granting a suretyship to secure a third-party loan extended for the same purpose. Given that this restriction explicitly refers to payment of a contribution to the charter capital (which is performed for the formation of the charter capital), one may argue that it does not prohibit granting loans by an LLC for the purpose of the acquisition of participatory interest in its charter capital and the granting of security by such company for these purposes.

Joint-stock companies are likewise prohibited from extending loans or providing suretyships to finance the purchase of their own shares. It is worth noting that the financial assistance rule also applies to the entities under control of a joint-stock company, which are prohibited from extending loans or granting a security for the purchase of shares in such a controlling joint -tock company.

6) Can a private credit provider act as agent/security agent in club/syndicated deals in Ukraine?

The Ukrainian legal framework provides limited regulation of club/syndicated deals, particularly among non-bank lenders, and does not define the status of a facility/security agent in such transactions. Nevertheless, under the principle of contractual freedom, parties may appoint one lender to act as an agent responsible for administrative, payment, or coordination functions under the finance documents. However, such structure is yet to be tested in the bankruptcy proceedings of the Ukrainian borrowers, and no relevant court practice is available in this respect.

Regarding security agents, Ukrainian law does not expressly recognize the concept of a security agent or trustee, as security must be granted in favour of the actual creditor due to its accessory nature. Consequently, based on Ukrainian regulatory requirements and to ensure that security validly covers all lenders' claims, the security agent must also be a creditor with respect to those claims. This is typically achieved through either:

- joint creditorship–where the security agent acts as a joint and several creditor with all lenders and holds the full security package; or
- parallel debt–where the borrower acknowledges a separate, independent obligation to the security agent equal to the total debt owed to all lenders.

While both structures are used in practice, they have not yet been tested in Ukrainian courts. Additionally, any change of security agent typically requires amendments and re-registration of the Ukrainian security documents.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

No**,** Ukrainian legislation does not contain an automatic equitable subordination doctrine. In the event of the borrower's liquidation or bankruptcy, loans from a parent company are generally repaid in the same order of priority as loans from other lenders. If the loan agreement includes a subordination clause (i.e., the parent agrees to rank behind other creditors) then it may have effect *contractually*, though in insolvency the statutory priority rules may override it.

8) Is it possible to enforce a foreign judgement in Ukraine?

Yes, the recognition and enforcement of foreign court judgements in Ukraine are governed by international treaties or based on the principle of reciprocity.

A judgement rendered by a foreign court may be recognised and enforced in Ukraine without a review of its merits, subject to compliance with the procedural rules regarding the recognition and enforcement of foreign court judgements.

9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

No, as indicated in the response to Question 1, unless the lending activity is carried out under a banking license or a financial institution license, private credit providers generally do not have specific reporting obligations similar to those applicable to licensed banks or financial companies.

10) Does a private credit provider have a specific insolvency regime akin to the banks in Ukraine?

No, private credit providers are subject to the general bankruptcy procedure defined by the Code of Ukraine on Bankruptcy Procedures. They do not have a specialised insolvency regime like that applicable to banks.

11) Is there an active market in private credit in Ukraine, and if yes, typically in what type of finance deals?

Due to the current circumstances related to the war, Ukraine has a limited private credit market, primarily involving cross-border and project-based financings. Private credit providers typically participate in transactions related to renewable energy, military technologies, and real estate development.

UZBEKISTAN

1) Do you need a banking or other license to make private loans to entities incorporated in Uzbekistan?

Yes, under Uzbek law, only licensed institutions (banks or non-bank credit organisations) are authorised to professionally extend credit. To regularly provide loans, an entity must obtain a license from the Central Bank of Uzbekistan as a bank or a non-bank credit organisations.

Occasional or intra-group lending (e.g. a parent company lending to its subsidiary) is not regulated as a banking activity and does not require a banking license, provided it is not a public lending business. Uzbek law does not impose any special licensing requirement on foreign or private investors who extend loans in project financings, they merely must comply with currency control formalities.

2) Are there any rules that limit the interest, fees, or other remuneration?

No, Uzbek law does not impose caps on interest rates for loans.

Terms are determined by agreement between lender and borrower, subject to general contract law and the principles of honesty in business dealings.

3) Is withholding tax charged on loans made to entities incorporated in Uzbekistan?

Yes, Uzbek law imposes withholding tax on interest paid by local borrowers to foreign lenders (non-residents).

The standard domestic withholding tax rate on interest (and dividends) paid to non-resident entities is 10%, unless a double taxation treaty applies a lower rate. Interest paid to resident lenders is subject to a 5% withholding tax.

4) Can a lender take security directly from a borrower?

Yes, under Uzbek law, a security interest (pledge, mortgage, etc.) can be directly created by a borrower in favour of a creditor by virtue of a pledge or mortgage agreement with the borrower.

5) Are there any restrictions on financial assistance?

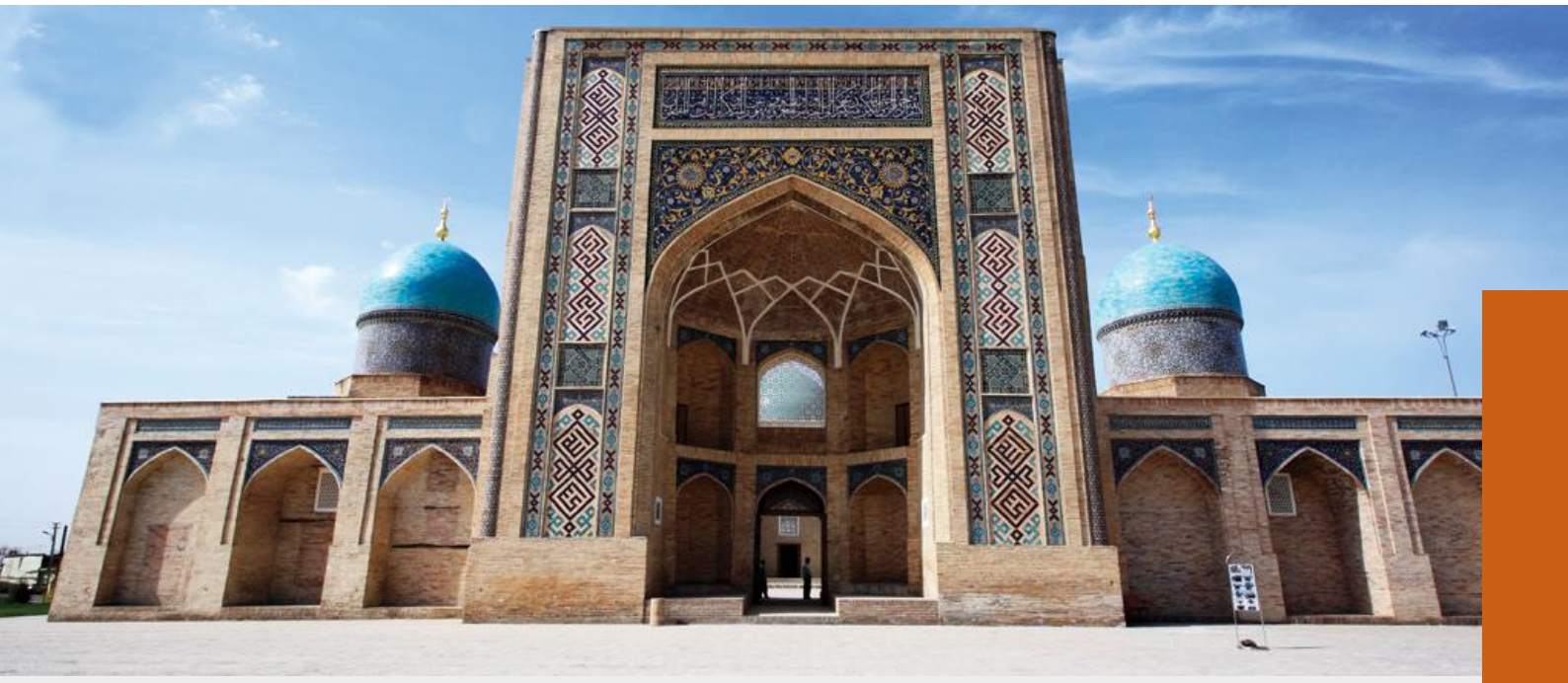
No, Uzbek Law does not impose any restrictions for financial assistance, yet in practice such assistance can be provided in three forms: gift agreement, provision of loan, replenishment of the authorised capital. These transactions must comply with general corporate governance requirements. For instance, depending on the value and nature of the transaction, it may qualify as a "large transaction" or involve an "affiliated party", both of which require certain corporate approval.

6) Can a private credit provider act as agent/security agent in club/syndicated deals in Uzbekistan?

Yes, Uzbek law allows one of the lenders to be appointed as an "agent" to administer a loan facility on behalf of multiple lenders. Each security interest must be held by the actual creditor of the obligation; an agent (if not itself a lender) cannot hold or enforce security in its own name for others. In practice, syndicated deals in Uzbekistan sometimes use mechanisms like "parallel debt" to address this limitation. These structures contractually give an agent a co-creditor status (or a separate claim) so that it can act in a foreclosure on behalf of all lenders.

7) Is a loan provided by a parent company to its subsidiary considered as equitably subordinated?

No, Uzbek insolvency law does not distinguish or subordinate insider debt solely because of its insider nature. All ordinary unsecured claims share the same priority in insolvency (after higher-priority claims like certain employee wages and tax obligations).



8) Is it possible to enforce a foreign judgement in Uzbekistan?

Yes, if a judgement comes from a jurisdiction that has a valid treaty or reciprocal arrangement with Uzbekistan, one can apply to an Uzbek court to recognise and enforce that foreign judgement.

9) Does a private credit provider have any specific reporting obligations (similar to the reporting by a licensed bank) to the local regulator?

Yes, non-bank financial institutions are subject to regulatory oversight and reporting to the Central Bank of Uzbekistan.

On the other hand, if by "private credit provider" we mean an unregulated lender (for instance, a corporate group lending to a local entity on a one-off basis), then there is no ongoing reporting to the banking regulator specifically for that lending. The main regulatory formality in those cases is currency control notification: any foreign loan to an Uzbek company must be recorded with the Central Bank.

10) Does a private credit provider have a specific insolvency regime akin to the banks in Uzbekistan?

No, to the extent the insolvency proceedings will be governed by Uzbek law.

11) Is there an active market in private credit in Uzbekistan, and if yes, typically in what type of finance deals?

No, there is only a limited market for private credit in Uzbekistan.

For further details or information, please contact contributors:

Austria

Miriam Broucek | Partner
miriam.broucek@kinstellar.com

Petra Heindl | Counsel
petra.heindl@kinstellar.com

Bulgaria

Svillen Issaev | Counsel
Svilen.issaev@Kinstellar.com

Nikolay Gergov | Senior Associate
nikolay.gergov@kinstellar.com

Croatia

Edin Karakaš | Partner
edin.karakas@Kinstellar.com

Sven Plašćar | Associate
sven.plascar@kinstellar.com

Czechia

Martina Březinová | Counsel
martina.brezinova@kinstellar.com

Vilém Neumann | Junior Associate
vilem.neumann@kinstellar.com

Hungary

Levente Hegedűs | Partner
levente.hegedus@kinstellar.com

Kazakhstan

Yerlan Akhmetov | Counsel
yerlan.akhmetov@kinstellar.com

Aigerim Raikhanova | Senior Associate
aigerim.raikhanova@kinstellar.com

Jasmine Kaliyeva | Junior Associate
Jasmine.kaliyeva@kinstellar.com

For further details or information, please contact contributors:

Romania

Magdalena Raducanu | Partner
magdalena.raducanu@kinstellar.com

Razvan Constantinescu | Partner
razvan.constantinescu@kinstellar.com

Ioana Moldoveanu | Junior Associate
Ioana.moldoveanu@kinstellar.com

Serbia

Miloš Velimirović | Office Managing Partner
milos.velimirovic@kinstellar.com

Slovakia

Tomáš Mešiček | Partner
tomas.melisek@kinstellar.com

Erik Neupaver | Senior Associate
erik.neupaver@kinstellar.com

Turkey

Mert Elçin | Partner
mert.elcin@ksthukuk.com

Halin Akbulut | Associate
helin.akbulut@ksthukuk.com

Ukraine

Illya Muchnyk | Partner
illya.muchnyk@kinstellar.com

Oleksandra Poliakova | Managing Associate
oleksandra.poliakova@kinstellar.com

Uzbekistan

Sherzod Yunusov | Partner
sherzod.yunusov@kinstellar.com

Kamilla Khamraeva | Counsel
kamilla.khamraeva@kinstellar.com

Emerging Europe and Central Asia's Leading Independent Law Firm

With offices in 12 jurisdictions and over 300 local and international lawyers, we deliver consistent, joined-up legal advice and assistance across diverse regional markets – together with the know-how and experience to champion your interests while minimising exposure to risk.

ALMATY, ASTANA | KAZAKHSTAN
BELGRADE | SERBIA
BRATISLAVA | SLOVAKIA
BUCHAREST | ROMANIA
BUDAPEST | HUNGARY
ISTANBUL | TURKEY
KYIV | UKRAINE
PRAGUE | CZECH REPUBLIC
SOFIA | BULGARIA
TASHKENT | UZBEKISTAN
VIENNA | AUST
ZAGREB | CROATIA

KINSTELLAR