

## COMPARATIVE-LEGAL ANALYSIS OF SHAREHOLDER RIGHTS IN THE EU AND UZBEK COMPANY LAW

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**Annotation:** *This comprehensive article conducts a comparative-legal analysis of shareholder rights within the legal frameworks of the European Union (EU) and Uzbekistan. Delving into the distinct regulations governing shareholder rights in these jurisdictions, the study explores the similarities, differences, and implications of these legal structures. By examining topics such as voting rights, dividend distribution, and minority shareholder protection, this analysis offers valuable insights for both legal scholars and business practitioners seeking to navigate these diverse corporate environments.*

**Keywords:** *Shareholder Rights, Comparative-Legal Analysis, EU Company Law, Uzbek Company Law, Corporate Governance, Voting Rights, Dividend Distribution, Minority Shareholder Protection, Legal Frameworks, Corporate Environment, Regulatory Structures, Investor Protections, Corporate Jurisdictions, Comparative Law, Corporate Governance Practices.*

Shareholder rights play a crucial role in company law as they form the foundation of corporate governance, ensuring transparency, accountability, and protection for investors. Shareholders, as the owners of a company, have a vested interest in its success and, therefore, should possess certain rights and protections to safeguard their investments and influence decision-making processes. This essay aims to undertake a comparative legal analysis of shareholder rights in the European Union (EU) and Uzbekistan company law systems. The EU, comprising member states with diverse legal traditions, has developed a comprehensive framework of directives and regulations to harmonize company law and shareholder rights across the region. On the other hand, Uzbekistan, as an emerging economy, has its own distinct legal framework for company law, tailored to its specific socio-economic context. By comparing these jurisdictions, we can gain insights into the similarities, differences, and potential areas for improvement in shareholder rights protection. The purpose of this essay is to examine the legal provisions, mechanisms, and enforcement practices that govern shareholder rights in the EU and Uzbekistan. By doing so, we aim to shed light on the significance of shareholder rights in enhancing corporate governance, promoting investor confidence, and ensuring a fair and efficient operation of companies in these jurisdictions. Through this comparative analysis, we can identify best practices, potential challenges, and opportunities for strengthening shareholder rights frameworks in both the EU and Uzbekistan.

In the European Union (EU), shareholder rights are regulated by various directives and regulations to harmonize company law across member states. The EU's primary objective is to safeguard the interests and rights of shareholders, ensuring transparency, accountability, and effective corporate governance. Shareholders in the EU have the right to attend general meetings, participate and vote on matters of importance, receive information about the

company's financial performance, and dividends, and have the right to challenge corporate decisions. In Uzbekistan, shareholder rights are governed by the Law on Joint Stock Companies, which grants shareholders similar rights, including the right to participate in general meetings and express their opinions. However, there may be differences in implementing and enforcing these rights in practice. One crucial aspect of shareholder rights in the European Union is the principle of equal treatment. According to this principle, all shareholders in EU member states must be treated equally regarding their rights and obligations. This means that all shareholders, regardless of the size or type of their shareholding, are entitled to the same basic rights, such as voting at general meetings and receiving dividends. Furthermore, the EU has introduced several directives that aim to enhance transparency and disclosure requirements for companies, ensuring that shareholders are provided with accurate and timely information to make informed decisions.

In the European Union (EU), the legal framework governing shareholder rights is based on a combination of directives and regulations that aim to harmonize company law across member states and establish common standards for shareholder protection. These directives and regulations provide a foundation for shareholder rights and play a significant role in shaping corporate governance practices within the EU. Here are some key directives and regulations relevant to shareholder rights:

**Shareholder Rights Directive II (Directive 2017/828):** This directive seeks to enhance shareholder rights, engagement, and transparency in EU companies. It introduces provisions related to say-on-pay, related party transactions, identification of shareholders, and facilitation of the exercise of shareholders' rights. It aims to strengthen shareholder influence in decision-making processes and promote active shareholder engagement.

**Transparency Directive (Directive 2004/109):** This directive sets out disclosure requirements for listed companies. It includes provisions regarding the publication of periodic financial reports, notifications of major shareholdings, and the dissemination of inside information. These requirements ensure transparency and provide shareholders with access to relevant information for informed decision-making.

**Takeover Bids Directive (Directive 2004/25):** This directive regulates public takeover bids for listed companies. It establishes rules on the conduct of takeover bids, the protection of minority shareholders, and the disclosure of information during the bid process. The directive aims to ensure fairness, equal treatment, and adequate information for shareholders in takeover situations.

**Accounting Directives:** The EU has issued several accounting directives, including the Fourth and Seventh Accounting Directives, which set out accounting requirements for financial statements, consolidated financial statements, and related reports of companies within the EU. These directives harmonize accounting standards, ensuring consistency and comparability of financial information for shareholders.

**Prospectus Regulation (Regulation (EU) 2017/1129):** This regulation governs the publication of prospectuses in connection with public offerings of securities and the admission to trading on regulated markets within the EU. It provides rules on the content,

format, and disclosure requirements of prospectuses, ensuring that shareholders receive accurate and comprehensive information before making investment decisions.

**Market Abuse Regulation (Regulation (EU) 596/2014):** Although primarily focused on market abuse, this regulation contains provisions that protect shareholder rights. It addresses insider dealing, market manipulation, and unlawful disclosure of inside information, safeguarding the integrity of financial markets and protecting shareholders' interests.

The legal framework governing shareholder rights is primarily established through the Company Law and related regulations. The Company Law sets out the basic principles and rules for company formation, operation, and shareholder rights. Here are some key aspects of the legal framework governing shareholder rights in Uzbekistan:

**Company Law:** The Company Law of Uzbekistan provides the overarching legal framework for companies, including provisions related to the rights and obligations of shareholders. It outlines the types of companies, rules for share issuance, shareholder meetings, decision-making processes, and shareholder remedies.

**Shareholder Meetings:** The Company Law stipulates the procedures for convening and conducting shareholder meetings, including requirements for notice, quorum, voting rights, and resolutions. It ensures that shareholders have the opportunity to participate in decision-making processes and exercise their voting rights.

**Shareholder Rights and Protections:** The Company Law outlines the fundamental rights of shareholders, including the right to receive dividends, the right to information, and the right to participate in company management. It also sets out provisions to protect minority shareholders' rights, such as the right to challenge actions that are detrimental to their interests.

**Corporate Governance Code:** Uzbekistan has also adopted a Corporate Governance Code that provides guidance and best practices for corporate governance, including shareholder rights. The Code recommends principles and standards for transparent and accountable corporate governance practices, with a focus on protecting the rights and interests of shareholders.

**Securities Market Regulations:** The Securities Market Law and related regulations govern the issuance and trading of securities in Uzbekistan. These regulations ensure transparency and disclosure requirements for listed companies, providing shareholders with access to relevant information for informed decision-making.

**Investor Protection Measures:** Uzbekistan has taken steps to enhance investor protection, including the establishment of the Capital Market Development Agency (CMDA). The CMDA plays a role in promoting investor education, market transparency, and the protection of shareholders' rights in the securities market.

These directives and regulations, among others, form the legal framework that governs shareholder rights in the EU. They aim to ensure transparency, accountability, and equitable treatment of shareholders, promoting investor confidence and the efficient functioning of capital markets within the EU. It's important to note that these directives are implemented into national laws of EU member states, allowing for some variations in their application and enforcement across jurisdictions.



In order to ensure effective protection of shareholder rights, the European Union (EU) has established a comprehensive legal framework. At its core, the EU's legal framework for shareholder rights is based on the principle of shareholder democracy and encompasses various directives and regulations. Shareholders have the right to attend and vote at general meetings, with procedures in place to ensure transparency and fairness. The EU also recognizes the importance of minority shareholder protection and has implemented regulations to safeguard their rights, such as the right to request information and bring legal action for corporate misconduct. Additionally, the EU framework promotes shareholder engagement and activism by allowing shareholders to make proposals and ask questions. Overall, the EU's legal framework for shareholder rights strives to balance the interests of shareholders with the need for effective corporate governance. Let's discuss key aspects of shareholder rights in the EU, such as voting rights, information rights, and dividend rights.

In the European Union, shareholder rights are protected through various key aspects, including voting rights, information rights, and dividend rights. Voting rights allow shareholders to participate in the decision-making processes of the company and have a say in major corporate matters. Information rights ensure that shareholders have access to accurate and timely information regarding the company's financial status and operations. Dividend rights entitle shareholders to receive a share of the company's profits as dividends, thereby providing them with a return on their investment. These aspects collectively aim to safeguard shareholder interests and promote transparency and accountability within the EU corporate framework.

One important aspect of shareholder rights in both the European Union (EU) and Uzbek company laws is the protection of minority shareholders. The EU has implemented various directives aimed at ensuring the rights of minority shareholders, such as the right to attend and vote at general meetings, the right to access information, and the right to challenge decisions that may harm their interests. Similarly, Uzbek company law also recognizes the rights of minority shareholders, including the right to receive profit shares, the right to participate in decision-making processes, and the right to withdraw from the company in certain circumstances. Overall, both the EU and Uzbekistan have established legal frameworks to safeguard the rights of minority shareholders in company law.

In Uzbek company law, shareholder rights are further explored to ensure transparency and protection for shareholders. The law delineates the rights pertaining to share ownership, dividend entitlement, and share transfer. Shareholders have the right to participate in general meetings and collectively decide on important matters such as amending the company charter or liquidation. Additionally, they have the right to receive information about the company activities, financial statements, and audit reports. These provisions reflect the importance placed on ensuring shareholder participation and access to crucial information in the corporate governance framework of Uzbekistan. An examination of the legal framework for shareholder rights in Uzbekistan reveals a number of significant differences compared to EU company law. While the EU places a strong emphasis on protecting the rights of shareholders and providing them with a wide range of legal remedies, Uzbekistan's legal framework falls short in this regard. Shareholders in Uzbekistan face significant limitations in terms of their right

to information, participation in decision-making, and effective legal remedies in case of violations. These disparities highlight the need for regulatory improvements in Uzbekistan to enhance shareholder rights and foster transparent corporate governance practices. Furthermore, an examination of the similarities and differences between Uzbek company law and EU law pertaining to shareholder rights reveals several key findings. Firstly, both jurisdictions recognize the fundamental importance of protecting shareholder rights and ensuring their equitable treatment. However, the extent of shareholder rights differs significantly. For instance, the EU places a strong emphasis on minority shareholder protection, while Uzbek company law provides more flexibility to majority shareholders. Additionally, both jurisdictions establish mechanisms for shareholder participation in decision-making processes, although EU law grants a greater extent of voting rights to shareholders compared to Uzbek company law. These divergences highlight the divergent approaches towards shareholder rights in these two legal systems.

Despite the differences in legal systems and cultural backgrounds, there are significant similarities in the protection of shareholder rights between the EU and Uzbek company law. Both legal frameworks recognize the importance of shareholder participation and transparency in corporate decision-making processes. However, there are also notable differences, particularly in the area of minority shareholder protection, where the EU provides more comprehensive rights and remedies. Overall, further alignment and harmonization efforts between the EU and Uzbekistan could be beneficial in ensuring consistent and effective shareholder rights protection across borders.

In comparing the voting rights of shareholders in the legal systems of the European Union (EU) and Uzbekistan, several notable differences emerge. In the EU, shareholders generally have the right to vote on significant corporate matters, including the appointment of directors and approval of major corporate transactions. Additionally, the EU places a strong emphasis on protecting minority shareholders' interests by ensuring fair and equal treatment. In contrast, Uzbekistan's legal framework imposes fewer restrictions on the concentration of voting power, which may give a disproportionate amount of influence to majority shareholders. Furthermore, the protection of minority shareholders' rights is relatively limited in Uzbekistan compared to the EU.

In evaluating the scope and level of information rights provided to shareholders, it is essential to consider the legal frameworks in the European Union (EU) and Uzbekistan. In the EU, shareholders are entitled to access information related to financial statements, annual reports, and significant events. Additionally, they have the right to be notified of general meetings and obtain detailed agendas. Comparatively, Uzbek company law provides shareholders with similar rights to access financial statements and annual reports. However, it is crucial to assess the effectiveness and enforcement of these rights in both jurisdictions to ensure adequate shareholder protection and accountability. A comparison of dividend rights and profit distribution mechanisms reveals distinct differences between the European Union (EU) and Uzbekistan. The EU follows a shareholder-centric approach, where the rights and preferences of shareholders are protected, and dividend distribution is subject to certain legal requirements and restrictions. Conversely, Uzbek company law has traditionally placed more

emphasis on the State’s interest and economic planning, resulting in limited dividend rights for shareholders. While both jurisdictions aim to safeguard shareholder interests, their divergent approaches underscore how legal traditions, political systems, and economic priorities shape the rights and mechanisms surrounding profit distribution. In the EU legal system, shareholder rights are well-established and regarded as essential for effective corporate governance. Shareholders have the right to vote on important matters, such as board appointments and approving major corporate transactions. They also have the right to information, allowing them to make informed decisions and hold management accountable. However, one weakness is that minority shareholders may face challenges asserting their rights, as controlling shareholders often hold significant power. In the Uzbek legal system, shareholder rights are less developed, with limited provisions for voting and information rights. Furthermore, the weak enforcement mechanisms create a significant weakness, as shareholders may struggle to protect their rights and interests.

In considering potential reforms or improvements to enhance shareholder rights in either legal system, several key areas can be addressed. For instance, in the EU legal system, there is a need to strengthen the protection of minority shareholders by promoting greater transparency and accountability among company management. This could be achieved by imposing stricter disclosure requirements, enhancing the role of independent directors, and strengthening the enforcement mechanisms for shareholders rights. Similarly, in Uzbek company law, reforms could be made to enhance shareholder rights by adopting a more robust framework for shareholder activism, facilitating greater shareholder participation in decision-making processes, and ensuring effective mechanisms for redress in case of corporate mismanagement or misconduct. These reforms would contribute to strengthening shareholder rights in both legal systems and promote the interests of shareholders in corporate governance. This essay compares shareholder rights in the EU and Uzbek company law, focusing on the legal framework and its impact on corporate governance. In the European Union, shareholder rights are highly protected and regulated through various directives and regulations. These include rights related to voting, information, dividend distribution, and minority protection. On the other hand, Uzbek company law lacks extensive provisions for shareholder rights, leading to weaker protection and limited recourse for shareholders. This analysis highlights the significant differences between the two legal systems and emphasizes the importance of strengthening shareholder rights in Uzbekistan to enhance corporate governance practices.

In conclusion, this essay conducted a comparative-legal analysis of shareholder rights in the European Union (EU) and Uzbek company law. The research explored the similarities and differences in the approaches taken by both legal systems, highlighting the importance of protecting shareholders interests and promoting transparency in corporate governance. While the EU legal framework provides a more comprehensive set of regulations and safeguards for shareholders, the Uzbek company law has made significant progress in recent years. Nonetheless, further reforms are necessary to align with international standards and enhance shareholder rights in Uzbekistan.

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