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RELATED PARTIES TRANSACTIONS AND A BRIEF REVIEW ON THE LEGAL REGULATION OF THIS INSTITUTE IN EU

Abstract

The experiences show that there is a broad diapason of techniques and procedures being used in order to identify the possible existence of related parties transactions (RPT). The parties are considered to be related if one of them has control over the other or, it exerts significant influence over the other party in the process of making financial and other operational decisions. However, we can not say that there is a simple definition that in itself contains elements that will enable identification of all related parties transactions.

The transactions that involve the majority stockholders or their close family members directly or indirectly are potentially the most difficult kinds of identifiable transactions.

There can be a certain degree of suspicion in the efficiency of the regulatory strategies, because we should not underestimate the ability of the managers and other participants to respond to the regulatory strategies aimed to stop their activities. The essence is that the legislators, should be encouraged to review and introduce another mechanisms aside from the provisions of the company laws and regulation from the field of the securities market.

Key words: related parties transactions, regulation, disclosure, reforms, corporate governance.

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Introduction

Doubtlessly, it is about a question, that is, an institute that in the last decade arouses broad interest both in the expert and scientific public; therefore it deserves appropriate observation. When we talk about the subject matter of this paper, we should have in mind that the essence of determination of the position of related parties is that the fact of relation (connection) implies that those parties (physical and / or legal) are daily involved in, or create particular business relations and operations, which those parties could misuse in order to realize their own goals and interests.

That is the basic reason why the legislations decide to determine and regulate the related parties transactions as precisely as possible.

The general impression is that recently increased attention is devoted to these problems, both in the countries that belong to the Anglo-Saxon legal system, and the legislations that belong to the continental legal system. Certainly, those processes are result of the increasing presence of the related parties transactions in the business practice. In that sense we should also emphasize that from day to day, for the purposes of realization of their plans, the related parties in their acting become more sophisticated, therefore it is increasingly difficult to comprehend their steps and intentions. This should represent, of course, a challenge to the legislators, and also for the competent state authorities and institutions, that normatively have the key role in disclosure and sanctioning of the misuses commited by the related parties.

1. Concept of related parties

There is a multitude of definitions in the literature that determine the concept of related parties. Due to the fact that the definitions of the related parties consist of listing and describing the most various relations that could appear, and result in relation (connection), one single definition cannot be distinguished. Another reason is the great complexity of the relations that could exist, as well as the impossibility to determine, that is, define all possible “connecting” elements between the physical and / or legal entities. Exactly because of it, the legal entities (trade companies, chambers, universities, guild organizations and other associations and legal entities) recently show tendencies for definition of

the related parties. Of course, these definitions are determined in the internal acts and rules of the legal entities and in their determination they take into consideration practically all elements that are the most relevant for them. However, in the definition of the related parties there are some basic elements and aspects that are found in almost all definitions. There is almost no "brief" definition of the concept of related parties.

Usually three basic types of relation are mentioned, that is, kinship relation, capital relation and managerial relation.

The kinship relation is manifested through existence of close familiar connections between the physical entities (kinship through marriage or adoption; children and parents, brothers and sisters, step-brothers and step-sisters, grandmothers, grandfathers and grandchildren; parent – guardian and a child, step-mother or step-father and step-son and step-daughter, daughter-in-law, son-in-law and parents of their spouses).

Capital relation (connection) can be best determined through the prism of the legal entities. Therefore, from the point of view of this type of relation (connection) related party is considered to be the legal entity that possesses, directly or indirectly at least 20 % of the other legal entity's voting stocks; legal entity in which at least 50 % of the members of the management or supervisory board and the board of directors are members of the management, supervisory board or the board of directors of the other legal entity; legal entity that has significant participation, majority participation or mutual participation in the other legal entity; two legal entities that are controlled by same legal or physical entity / entities and a legal entity that on other grounds is controlled by other legal entity. Regarding the determined proportional participation we should emphasize that it may vary to a certain extent, but, generally, it ranges within the frameworks presented.

During the elaboration of this paper, we will analyze some specific relations characterizing the related parties, taking into consideration the related physical parties, the related legal parties, as well as the physical entities related to legal entities and vice versa.

In the literature and the practice, we can find certain practical presentations of related entities. For example, person A is considered to be related to another person B, if the person B is:

- a wife / husband to the person A
- a relative of the person A (brothers, sisters)
- a wife / husband of a relative of the person A

- relative of the wife of the person A.[1]

As we can see, the cited definition takes into consideration those elements that result only from the kinship.

According to another definition, the related parties are considered to be:[2]

a) persons related through blood connection, marriage or adoption;
b) trade company and: a person who controls the company, if it is controlled by one person; a person who is a member of related group which controls the company; or, any other person who is related in the way described under a) with any person described under b).
c) two trade companies: which are controlled by a same person or group of persons; each person who controls one of the companies is related with the person who controls the other company; company that is controlled by one person, if that person is related with any member of the related group controlling the other company; the company that is controlled by one person, if that person is related with any member of unrelated group that controls the other company.

2. The need of definition of the related parties

What is of great importance and should be mentioned is the basic reason of the need of definition of the concept of related parties. This issue normally occurs during the examination of the related parties.

One of the possible answers to the question posed in such a way, certainly, can be found in the establishment of numerous relations among the related parties. Exactly the possibility of various relations between these parties for the purposes of realization of certain, most often, lucrative interests, and accordingly, the misuse of such position is in effect the dominant reason for definition of the related parties.

In this context, it is positive that the most of the attention, beside the definition of the related parties, attract the related parties transactions through which, in a way, their legal and factual position is embodied.

It is a common impression that recently there is increased interest for the related parties transactions both in the literature and in the

[1] www.hmrc.gov.uk/cirdmanual/related party definition
[2] Foreign affairs and international trade Canada/Export and Import Controls

practice, first of all, by the larger corporations (trade companies). It is a reason more to pay appropriate attention to the related parties transactions in this paper.

3. Concept of related parties transactions

The simpliest definition of the related parties transactions would be the one that defines this concept as a business deal between two related parties[3]. This definition, of course, does not encompasses, that is, does not elaborate the essence of the concept sufficiently. When we are speaking about related parties transactions, we should emphasize that there always should be specially prescribed provisions that should be obeyed during the realization of the related parties transactions, including one of the most important obligations which the trade companies have, that is, notification, or disclosure of the existence of such deals or transactions. Therein, we should certainly take into consideration the unbreakable relation between the conflict of interests and related parties transactions. That can be a source of the real danger of breaking out corporative scandals and other illegal business practices.

Another definition of the related parties transactions determines them as interaction between two parties wherein the one party has control or significant influence over the other party's business policies. The special connection, that is, relation can exist, for example, between one trade company and its major owners[4]. Taking the above into consideration, one issue imposes by itself, that is, which are the basic elements that would be the most relevant and that should be disclosed when we are speaking about the related parties transactions. In this context, the following are cited: the nature of the relation (connection); description of the transaction, including its amount; the effects that would result from possible changes in the contract, as well as the way of settlement of the obligations deriving from the transactions for both parties[5].

The attention that both the scientific and expert publics pay to the related parties transactions is significantly increased after the well-known and exploited corporative financial scandals with Enron and Parmalat.

[3] www.answers.com /Business and Finance/related party transaction/definition
[4] www.nextdaye.com/ accounting dictionary: Related party transaction
[5] Ibid

Exactly these scandals in the best possible way illustrate the complexity that the regulators and auditors face with when they identify the related parties transactions and the transactions motivated by frauds or other illegal actions of the companies' management. While on one hand there is broad consensus regarding the need of regulation of the related parties transactions, on the other hand there is much less consensus regarding the issue which transactions should be the subject matter of "deterrent" regulation[6].

3.1. Two alternative hypotheses for the related parties transactions

We have previously emphasized that the attention paid to the related parties transactions was a result of the recent corporative scandals. Such transactions most often represent a series of complex business transactions between the company and its managers, directors and dominant owners. From the aspect of the regulators, market participants, as well as other stakeholders, such type of transactions certainly represent potential conflict of interest that could seriously compromise the responsibility and the trust by the stockholders in the management of the company, as well as in its supervisory functions. In fact, this outlines the one hypothesis for the related parties transactions called conflict of interests hypothesis[7].

The second alternative aspect is called efficient transactions hypothesis, according to which the related parties transactions efficiently meet the determined economic needs of the company. If the related parties transactions are efficient transactions, there would be no need to increase the monitoring, that is, the supervision. As a result, there won't be any points of contacts between the related parties transactions and the strengthening of the mechanisms of corporate governance, and they would not have any special influence on the stockholders, as well. Even if it is the case (the related parties transactions being efficient transactions) the company should decide, that is, to choose whether it will increase its supervision, in order to avoid the occurrence of conflict

[6] Joseph A. McCahery and Erik P.M. Vermeulen, "Corporate governance crises and Related party transactions: A Post-Parmalat Agenda", 2005

[7] Elizabeth A. Gordon, Elaine Henry, Darius Palia, "Related Party Transactions: Associations with Corporate Governance and Firm Value", First Draft: December 2003, Current Draft: August 2004

of interests. In that case, we can expect positive connecting between the stronger corporative structures and the related parties transactions[8].

Taking into consideration the fact that the companies do not consistently announce whether, or how do they conduct supervision over the relatization of the related parties transactions, it comes out that the function of monitoring and supervision will be one of the responsibilities of the company's board of directors. According to the US experiences, for the purposes of supervision, some companies appoint independent members of the auditory commission or the corporative governance commission of the particular company, which finally approve the related parties transactions.

Despite everything, we can state that the related parties transactions play an important role, because in a way they reflect the chosen model of corporate governance, wherein these transactions become an indicator of the corporative environment in which the company exists.

4. Why it is necessary to pay attention to the related parties transactions

It is indisputable that the related parties transactions play an important role in every market economy. The transactions inside the trade company ussualy are more attractive for the firms, trade and foreign invvestmensts. Low capital costs and tax savings provide strong stimulus for concluding such a type of transactions[9]. To tell the truth, there are many examples of related parties transactions that can be beneficial for the trade companies.

As the most popular, that is, the most interesting transactions of this kind we could cite the following: (1) giving loans by the parent company to its foreign branch; (2) sales of assets (securities) to the so called companies with special investment purposes, and (3) leasing or licensing contract between the parent company and its foreign branch.

When we are speaking about the related parties transactions, the major moment of concern is the fact that most often they are not executed at market prices, but they are executed under the influence of the relation

[8] Ibid

[9] E Berglof and S Claessens, "Enforcement and Corporate Governance", World Bank Policy Research Working Paper no 3409, September 2004

or connection that exists between the two parties of the transaction. In turn, it leads to the existence of a conflict of interests for certain persons in the company.

It is very important to emphasize that for the dominant stockholders, as well as for the company's management, the related parties transactions can be a mechanism for realization of their own benefits to the disadvantage of other stockholders in the company. There is a broad spectra of legal strategies which can regulate the disclosure of the related parties transactions and the conflict of interests.

4.1. Legal experiences and visions of the related parties transactions in USA

When we are speaking about the US experience, we should emphasize that the transactions between the directors and managers of a company in which there is an obvious conflict, are not allowed[10]. However, we should take into consideration that the strategy of ban of such a kind of transactions is rather a result of a certain political- legal tradition than of a convincing effort to protect the private investors, and accortdingly, to foster equal distribution of the wealth in the society. Having this in mind, the strategy of ban of the related parties transactions did not succeed to retain the reallocation of the wealth. In fact, aside from the poor protection against one undetected transaction, the ban of such kind of transaction can really aggravate the situation in many companies, because it prevents many, in principle, successful transactions[11].

Such considerations impose the need for the regulators to allow concluding certain related parties transactions that would not finally lead to conflict of interests. This imposes the question whether it would really cause certain positive effects for the trade companies. The answers to this question are moving into direction that for the purposes of protection of the external investors of the companies against "misusing" transactions, the US state and federal laws regulate the related parties transactions, insider trading, as well as the compensation contracts between the executive officers.

[10] R. Clark, "Corporate Law", Little and Brown, Boston, 1986

[11] W.Klein, J. Ramseyer and S. Bainbridge, "Business Associations", Foundation New York, 2003

4.2. Regulation of the related parties transactions

The European Commission and the states members of EU have undertaken certain steps against the expressed weaknesses in the systems of (corporate) governance, which have especially come to express with the Parmalat scandal. The regulators from the states members of EU recommended so-called collective responsibility of the board of directors regarding the disclosure of the financial statements. The regulators have also established an obligation for the total disclosure of the related parties transactions. We will briefly present the measures created in the EU for regulation of the related parties transactions.

4.2.1. Right of informing

It is necessary to exist clearly envisaged modes by which the minority stockholders will be able to detect the possible opportunistic behavior of the majority stockholders. In that sense, the minority stockholders can collect public and private information. The main source of public information, of course, would be the periodical publications of the financial reports and statements of the company, as well as the reviewed annual statements. In Europe (EU), the so- called public companies[12] are obliged to public their annual statements according to the law. In that sense, the fourth directive of EU contains detailed requirements for preparation of financial statements of the trade companies (balance sheet, income statement), as well as annual report on the company's operations. The directive also stipulates that the prepared statements should present true, clear and fair image of the assets (resources), liabilities, financial situation, as well as for the business results of the particular company's operations[13].

It is usual that the annual financial statements of the company, according to many jurisdictions, should be adopted not later than within five months after the end of the business year, however, some trade companies can extend this period to 13 months, wherein the degree of reliability of those information, that is, statements will be lower. Especially, because the annual statements do not completely disclose the information regarding the possible transfers of the company's profits.

[12] Stock companies whose stocks are listed on authorized stock markets
[13] The fourth directive of EU for the annual statements of the companies (78/660/EEC)

It is especially important to emphasize that the direct and indirect transactions between the company and the majority stockholder, that is, stockholders, can have significant influence concerning the regularity and the accuracy of the annual statements on the company's operations.

4.2.2. Disclosure of the related parties transactions according to the EU regulation

We can say that there is a satisfactoiry level of transparency regarding this kind of transactions for all rated stock companies within the European Union. Moreover, if we take into consideration the International Accounting standard 24, as well as the national legislations.

Viewing from the aspect of disclosure of the related party transactions, no matter whether they have been concluded between the parent company and its branch, the legal party must disclose the name of the parent company, or if otherwise, the physical or the legal party with the dominant ownership. In case when neither the parent company of the legal party nor the physical or legal party that has the dominant ownership do not have obligation to prepare financial statements that would be available to the public, then the name of the next oldest parent company that prepares financial statements must be published[14]. Furthermore, the same standard stipulates that for each category of related parties, the companies are obliged to disclose in their financial statements the true nature of the relations, that is, the point of connection between the related parties, as well as to provide information regarding the transactions necessary to understand the potential effects of the existing relations[15]. This kind of reports should contain the total value of the transaction, that is, transactions, the value, that is the amount of the accounts receivable, possible provisions for the suspicious debts (liabilities) in correlation with the amount of accounts receivable.

Recently the European Union proposed increase, that is, extension of the obligation for publishing the related party transactions and the non-rated stock companies in order to restore the confidence of the public in the financial statements of those stock companies and,

[14] See, International Accounting Standard (24.12) (IAS 24)
[15] See, International Accounting Standard (17-18) (IAS 17-18)

therefore, to give a positive momentum to the integration of the markets of capital in the European Union[16].

The regulators from the European Commission ground such a view on the following: (1) the related party transactions are more often characteristic of the non- rated companies, and (2) the disclosure would not be so massive, taking into consideration the fact that those firms usually do not have complicated balance shemes in their financial statements.

It is not disputable that the majority stockholder is able to provide, or more exactly, to come to a certain information that is not publicly published and use it for its personal financial benefit. However, this stockholder has another option. Namely, the majority stockholder can transmit such the information to a member of his family, who, on the basis of the received information, will create an investment strategu that finally will provide him financial profit.

The issue whether the publicly published information is correct or incorrect, will create much less pressure if the minority stockholder, that is, stockholders have their representative in the management board of the stock company. In that case, that representative will have, although even formally, a possibility to exert influence and to monitor the operations and the decision making of the company's management board.

However, if the minority stockholders are not a part of the management board of the company, that is, they are not included in the decision making processes, they will be motivated to collect information not taking into consideration the legal mandate.

Despite the fact that the extension of the domain of transparency and disclosure of the financial statements of the companies should be encouraged, the regulators should not underestimate the high costs of disclosure of the information on the companies that are not rated at the stock markets[17].

[16] European Commission Proposal for a Directive of the European Parliament and of the Council Directives 78/660/EEC and 83/349/EEC concerning the annual accounts of certain types of companies and consolidated accounts

[17] It is considered that these stock companies have less financial power, so such costs would be a serious burden for these companies

5. Internal structure of governance

5.1. The European Union

According to the European experiences, the achievement of independence of the boards is rather problematic. In a number of states members, the majority stockholders retain their power to appoint and dismiss the organs of management of the company. One of the considerations that may have more economic logic, suggests that one way to to prevent the oportunism of the majority stockholders is to strenghten the independence of the boards and, especially the role of the non- executive directors, that is, the members of the supervisory board, in the key areas, such is the conflict of interests and related parties transactions[18].

Generally, the decisions concerning the upgrading of the executive members of the board, as well as the decisions concerning the auditory supervision, should be made by the non- executive directors, the majority of which should be independent. Regarding this, the European Commission has proposed a set of optional minimal standards to achieve the independence of the members of the boards. At the same time, the Commission has also introduced standards for so-called extended identification of the conflict of interests.

Certainly, taking into consideration the diversity of the legal systems of the states members of the EU, the European Commission has not recommended exact number of independent members od the board of directors. In that direction, the Commission has recommended that the members of the auditory commision would be from among the non-executive directors, that is, the members od the supervisory board, wherein the majority of them should be independent.

In general, it seems like the empirical literature from this field does not support the aforementioned perception that the independence of the board increases the capacities in the decision making process of the board, which also results in an increase of the firm's value. It seems that the independence is rather a subject of objective appraisal than of a simple definition.

However, the European Commission in the direction of the already undertaken steps for creation rules that will be consistent, taking

[18] BS Black, H Jang and W Kim, "Does Corporate Governance Predict Firms" Market Value, Stanford Law and Economics, Working Paper no. 237/2003

into consideration the diversity of the systems of corporative governance in Europe, has created measures that are expected to better promote the internal management in the countries where a system of management based on dominant (controlling) stockholders prevails.

6. Reforms undertaken at national level

The purpose of this part is to analyze the evolution of the mechanisms of the corporate governance with special emphasis on the related parties transactions, in some of the states members of EU. In contrast to the US example, where the evolution of these processes was relatively good published and the public was informed on the events, the development of the European jurisdictions is less available for monitoring. The reasons for that, of course, should be sought in the clear differences existing in the legal doctrine between the continental and Anglo- Saxon law. Moreover, we should have in mind that the reforms of the corporative governance in Europe are more dinstinctive (more different) creating difficulties when speaking about original (authentic) European development in this sphere. As an example for the above, we could mention the difference in the ownership structure, which becomes especially relevant in the shaping of the reforms in the corporative governance.

For example, while certain states from EU have so called system of blockholders (dominant, controlling stockholders), such as Germany, France and Italy, other countries members can be characterized by dispersed stockholder's structure (Great Britain is a typicall example). We should also emphasize that certain countries have developed so called hybrid sustem representing a combination of previously cited two systems, such is the case of Holland.

6.1. Germany

The German experiences regarding the modernization of the codes of corporate governance are focused on the increase of the competiveness of the firms, as well as stimulating the confidence in the firms' management. Taking into consideration the above cited, the special government commission for preparation of the German code for corporative governance has also prepared amendmends in several

imporatnt domains, that is, fields of corporate governance, wherein we can single out the establishment, that is, introduction of an auditory commission (committee), as well as formalizing the conflict of interests between the members of the supervisory board[19]. The supervisory board usually consists of external and independent directors and its fundamental task is to appoint and control the operation of the members of the administrative board.

It is especially important to underline that according to the German legislation, the supervisory board has the central and key role in establishing the occurrence of conflict of interests at a level of administrative board. In this direction, the German code for corporative governance determines that all members of the management board should disclose the possible conflict of interests to the supervisory board, without any delay[20].

It is characteristic that the cited code does not include the related parties transactions with parties connected with the members of the management board.

When we are speaking of the related parties transactions, we should emphasize that there is an essential difference in their determination in the German code for corporate governance and the German law on stock companies. The fundamental difference is that the code for corporate governance viewes these issues in the frameworks of the management and the supervisory boards, as presented above, while the law primarily focuses on the conflict arousing between the majority and the minority stockholders. In that sense, the law envisages an obligation for publishing, that is, disclosing the transactions between the company and other related companies in the annual statement which should be controlled and verified by an independent auditor. Of no less significance is also the prescribed obligation for loyalty of the majority toward the minority stockholders[21].

For the purposes of the effective execution of the cited obligation of loyalty, the stockholders must have the possibility to detect the possible opportunistic behavior of the majority stockholders and

[19] We should have in mind that Germany favors the two-tier system of governance with a management board and supervisory board

[20] Point 4.3.4 of the German code for corporate governance which also determined that the members of the administrative board must inform other members of the supervisory board on the existence of any conflict of interests

[21] J Dine "The Governance of Corporate Groups", Cambridge University Press, Cambridge, 2000

managers. Because of that, the German government worked out and published the so called plan by which it emphasizes the importance of the information, transparency and disclosure. Among others, it also determines that the stockholders who possess more than 1 % of the total number of issued voting stocks, valued at least 100,000 EUR, can appoint a special auditor to examine the possible misuses, frauds and violances. However, if the stockholders initiate investigation based on wrong assumptions and lies, they will bear the expenses for the appointment of the auditor and the investigation.

One of the more significant matters that the government envisages by the plan is the deepening of the possibility of the stockholders to bring legal actions against the directors and members of the supervisory board.

It is also important to emphasize that the supervisory board has a legal possibility to undertake direct measures against a member of the management board who is responsible to the company[22]. The German legislation gives the stockholders the right to require the company to undertake measures against the members of the management or supervisory board. In one such case, it is more than clear that the management or the supervisory board would be the one that would represent, that is, defend the interests of the company. This obviously results in a possible conflict of interests, for which the German legislation does not offer concrete solutions.

6.2. Holland

When we are speaking of Holland, its reputation speaks about it as a business- friendly oriented environment, as well as a state where the rules for good corporate governence are adopted and respected. However, its reputation was to some extent undermined after the occurrence of the accounting scandal with *Ahold*. In order to retain the confidence of the investors, the Holland government apppointed a special committee composed of experts and businessmen to create a new code for corporate governance. This code contains a series of improvements in the field of the good corporate governance.

From the aspect of the interests of this paper, the prepared code contains several recommendations for the related parties transactions. We can single out the recommendation of this code to request an approval

[22] Article 112 of the German law on stock companies

from the supervisory board for entering a transaction in which the members of the both boards, as well as the company have material interest[23]. Namely, the code clearly determines that the conflict of interests exists in any case, if the company has intention to conclude transaction with a legal party:

1. when a member of the management board has personal financial interest;
2. when a member of the management board is in a certain relation to a member of the management board of the company, according to the provisions of the family law, or
3. when a member of the management board of the company is a member of the management or supervisory board of other legal party.

The same procedure is also applied to the members of the supervisory board, as well as to the persons who own at least 10 % of the company's stocks. It is clear that for the transactions of the stock companies where there is an obvious conflict of interests, the consent of the supervisory board is necessary. Moreover, such transactions (if any) should be elaborated in details in the annual statement for the operation of the stock company.

Certain tendencies in the Holland law are moving in the course of requesting the members of the administrative board to inform the stockholders on certain decisions of material character that could affect their interests.

It is also worth mentioning that the Holland code for corporate governance places a significant emphasis on the need of independence of the members of the supervisory board in the stock company. Finally, the code underlines the importance of the so called *whistleblowers* (informers, reporters) in the detection and disclosure of the related parties transactions and other illegal actions. In such situations, the whistleblowers can have a central role in the clearing up the scandals, as well as in the protection of the stockholders, investors, creditors of the company, against possible harmfull actions.

[23] Principle II. 3 of the Holland code for corporate governance

7. Concluding Remarks

It seems that the reform-oriented European jurisdictions make efforts to discourage the misuse of the realization of related party transactions, not only through changes in their company laws, that are in principal focused on the improvement of the degree of transaparency, but also through preparation and adoption of codes for good corporative governance at national level. The brief review of the European legislation concerning these problems, points out that the obligatory legal mechanisms that could discipline the behavior, as well as to provide better protection of the minority stockholders are sufficiently represented. We could also see that Germany and Holland are ahead of the other countries in this sense.

However, besides the large number of the reform processes in the domain of the corporative governance within the European Union that were generally initiated by the several financial scandals, the problems related to the expert and personal capacities of the financial regulators from the European countries still remain.

We can freely state that such a situation is also present in Republic of Macedonia where the majority of the state regualtory organs are not appropriately eqquiped regarding the personal and expertise, that is, they do not have sufficient capacity to face the deceptive and manipulative actions from the presented spheres. It results that a considerable attention should be paid and the necessary reforms should be realized in the direction of strenghtening the institutional capacities of the state regulatory organs.

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