Commerce Act

Promulgated, State Gazette No. 48/18.06.1991, effective 1.07.1991, amended, SG No. 25/27.03.1992, amended and supplemented, SG No. 61/16.07.1993, SG No. 103/7.12.1993, SG No. 63/5.08.1994, amended, SG No. 63/14.07.1995, amended and supplemented, SG No. 42/15.05.1996, effective 15.05.1996, amended, SG No. 59/12.07.1996, effective 1.07.1996, amended and supplemented, SG No. 83/1.10.1996, effective 1.11.1996, amended, SG No. 86/11.10.1996, effective 1.01.1997, SG No. 104/6.12.1996, effective 6.01.1997, SG No. 58/22.07.1997, effective 22.07.1997, amended and supplemented, SG No. 100/31.10.1997, SG No. 124/23.12.1997, effective 1.04.1998, SG No. 21/20.02.1998, supplemented, SG No. 39/7.04.1998, SG No. 52/8.05.1998, amended and supplemented, SG No. 70/19.06.1998, amended, SG No. 33/9.04.1999, supplemented, SG No. 42/5.05.1999, amended, SG No. 64/16.07.1999, amended and supplemented, SG No. 81/14.09.1999, effective 15.12.1999, amended, SG No. 90/15.10.1999, supplemented, SG No. 103/30.11.1999, effective 30.11.1999, amended and supplemented, SG No. 114/30.12.1999, effective 31.01.2000, SG No. 84/13.10.2000, amended, SG No. 28/19.03.2002, amended and supplemented, SG No. 61/21.06.2002, supplemented, SG No. 96/11.10.2002, amended, SG No. 19/28.02.2003, amended and supplemented, SG No. 31/4.04.2003, effective 4.04.2003, SG No. 58/27.06.2003, SG No. 31/8.04.2005, effective 8.10.2005, amended, SG No. 39/10.05.2005, SG No. 42/17.05.2005, SG No. 43/20.05.2005, effective 1.09.2005, amended and supplemented, SG No. 66/12.08.2005, amended, SG No. 103/23.12.2005, effective 1.01.2006, amended and supplemented, SG No. 105/29.12.2005, effective 1.01.2006, SG No. 38/9.05.2006, SG No. 59/21.07.2006, effective as from the date of entry into force of the Treaty of Accession of the Republic of Bulgaria to the European Union - 1.01.2007, amended, SG No. 80/3.10.2006, effective 3.10.2006, SG No. 105/22.12.2006, effective 1.01.2007, amended and supplemented, SG No. 59/20.07.2007, effective 1.03.2008, amended, SG No. 92/13.11.2007, amended and supplemented, SG No. 104/11.12.2007, amended, SG No. 50/30.05.2008, effective 30.05.2008, SG No. 67/29.07.2008, supplemented, SG No. 70/8.08.2008, amended, SG No. 100/21.11.2008, supplemented, SG No. 108/19.12.2008, amended, SG No. 12/13.02.2009, effective 1.05.2009, amended and supplemented, SG No. 23/27.03.2009, effective 1.11.2009, supplemented, SG No. 47/23.06.2009, effective 23.06.2009, amended, SG No. 82/16.10.2009, supplemented, SG No. 41/1.06.2010, amended and supplemented, SG No. 101/28.12.2010, supplemented, SG No. 14/15.02.2011, effective 15.02.2011, SG No. 18/1.03.2011, amended and supplemented, SG No. 34/29.04.2011, effective 3.05.2011, amended, SG No. 53/13.07.2012, effective 13.07.2012, SG No. 60/7.08.2012, effective 7.08.2012, supplemented, SG No. 15/15.02.2013, effective 15.02.2013, amended and supplemented, SG No. 20/28.02.2013, amended, SG No. 27/25.03.2014, supplemented, SG No. 22/24.03.2015, effective 1.01.2017, amended and supplemented, SG No. 95/8.12.2015, effective 1.01.2016, amended, SG No. 13/16.02.2016, effective 15.04.2016, amended and supplemented, SG No. 105/30.12.2016, SG No. 62/1.08.2017, SG No. 102/22.12.2017, effective 22.12.2017, SG No. 15/16.02.2018, effective 16.02.2018, supplemented, SG No. 27/27.03.2018, amended, SG No. 88/23.10.2018, effective 23.10.2018, supplemented, SG No. 28/5.04.2019, SG No. 33/19.04.2019, effective 19.04.2019, amended and supplemented, SG No. 83/22.10.2019, effective 22.10.2019, SG No. 64/18.07.2020, effective 21.08.2020, amended, SG No. 104/8.12.2020, effective 1.01.2021, supplemented, SG No. 25/29.03.2022, effective 8.07.2022, amended and supplemented, SG No. 66/1.08.2023, SG No. 35/19.04.2024, effective 19.04.2024, amended, SG No. 41/10.05.2024, effective 10.05.2024, SG No. 67/9.08.2024, effective 30.06.2024, SG No. 70/20.08.2024, effective from the date stipulated in the Council Decision of the European

Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union, amended and supplemented, SG No. 82/27.09.2024

Text in Bulgarian: Търговски закон

PART ONE
GENERAL PART

Chapter One
GENERAL

Merchant

Article 1

(1) (Amended, SG No. 83/1996) Within the meaning hereof, "merchant" shall mean any natural or juridical person engaged by occupation in any of the following transactions:
1. purchasing goods or other things for the purpose of reselling them in their original, processed or finished form;
2. (amended, SG No. 83/1996) sale of one’s own manufactured goods;
3. (amended, SG No. 83/1996) purchasing negotiable securities for the purpose of reselling them;
4. (amended, SG No. 83/1996) commercial agency and brokerage;
5. (amended, SG No. 83/1996) commission, forwarding and transportation transactions;
6. (amended, SG No. 83/1996) insurance transactions;
7. (amended, SG No. 83/1996) banking and foreign-exchange transactions;
8. (amended, SG No. 83/1996) bills of exchange, promissory notes and cheques;
9. (amended, SG No. 83/1996) warehousing transactions;
10. (amended, SG No. 83/1996) licence transactions;
11. (amended, SG No. 83/1996) supervision of goods;
12. (amended, SG No. 83/1996) transactions in intellectual property;
13. (amended, SG No. 83/1996) hotel operation, tourist, advertising, information, entertainment, impresario and other services;
14. (amended, SG No. 83/1996) purchase, construction or furnishing of real property for the purpose of sale;
15. (amended, SG No. 83/1996) leasing.

(2) Merchants are:
1. the commercial companies;
2. the cooperatives, except housing cooperatives.

(3) Any person, who has established an enterprise, which, in accordance with its purpose and volume, requires that its business be conducted on a commercial basis, even if its activity is not listed under Paragraph 1, shall also be considered a merchant.

Persons who are not merchants

Article 2

The following shall not be considered merchants:
1. natural persons engaged in farming;

2. artisans, persons providing services through their own labour or freelancing, except where their business may be defined as an enterprise within the meaning of Article 1, Paragraph 3;
3. persons providing hotel services by letting rooms in housing units occupied thereby.

Chapter Two
(Repealed, SG No. 38/2006, effective 1.07.2007 - (*) amended, with regard to coming into force, SG No. 80/2006)
COMMERCIAL REGISTER

Maintaining the Commercial Register

Article 3

(Supplemented, SG No. 66/2005, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).

Obligation to record

Article 4

(Amended, SG No. 66/2005, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).

Effect of recording

Article 4a

(New, SG No. 84/2000, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).

Public availability of the Commercial Register

Article 5

(Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).

Promulgation of recording

Article 6

(Amended, SG No. 103/1993, supplemented, SG No. 66/2005, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006)

Chapter Three
BUSINESS NAME AND REGISTERED OFFICE

Definition

Article 7

(1) (1) A business name shall be the name under which a merchant shall carry on its business and under which it shall sign.

(2) (Amended, SG No. 103/1993) In addition to the content required by law, all business names may also indicate the nature of the business, the names of the partners, as well as a freely chosen addition. The business name must be truthful, not misleading and must not be offensive to the public order and morals.

(3) (New, SG No. 103/1993) The merchant shall write its business name in Bulgarian. It may add an optional written version thereof in a foreign language.

(4) (New, SG No. 34/2011, effective 3.05.2011) Each merchant may file a claim to establish an application for, or an use of, a business name in bad faith, to cease and desist using a business name in bad faith and for damages, when the business name is identical or similar to an already registered business name.
(5) (New, SG No. 34/2011, effective 3.05.2011) The business name may not be identical or similar to a registered trademark, unless the merchant holds rights over the latter.
Business name of a branch

Article 8

The business name of a branch shall include the business name of the merchant with the added text "branch."
Business name upon liquidation

Article 9

(Supplemented, SG No. 63/1994)
The business name of a merchant placed in liquidation shall have the added text "in liquidation," and, for a merchant in bankruptcy, the added text "in bankruptcy."
Change of business name

Article 10

(1) A business name may be changed upon request by the merchant who has registered it.
(2) If a business name contains the name of a withdrawing partner, the business name may be preserved only with that partner’s consent.
Exclusive right

Article 11

(1) A business name may be used only by the merchant who has registered it.
(2) In case of use of another merchant’s business name, affected parties may seek an injunction, as well as damages for such use.
Registered office and address

Article 12

(1) The merchant’s registered office shall be the residential area, where the management of its business is located.
(2) The merchant’s address shall be the address of the location of the management of its business.
Obligation to provide details

Article 13

(1) (Previous text of Article 13, SG No. 84/2000, supplemented, SG No. 66/2005, amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The merchant shall provide the following details in its business correspondence and on its website, if any: business name; registered office and management address; unified identification code and bank account. A merchant may also provide an address for communication. When a company states the size of its capital, it shall also indicate what portion thereof has been paid in.
(2) (New, SG No. 84/2000, amended, SG No. 38/2006, effective 1.07.2007 - amended, regard to coming into force, SG No. 80/2006) The merchant’s details under Paragraph 1 shall be provided in the business correspondence of the branch.
Change of registered office

Article 14

(Amended, SG No. 58/2003) (1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Any relocation of the merchant's business management to another residential area must be applied for recording in the Commercial Register.
(2) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
(4) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).

Chapter Four
ENTERPRISES AND TRANSACTIONS THEREWITH

Transactions with an enterprise

Article 15

(1) (Amended, SG No. 105/2016) The enterprise, as a totality of rights, obligations and factual relationships, may be transferred with a transaction, executed in writing and having the signatures and contents thereof notarised simultaneously. The transferor shall notify all creditors and debtors of the effected transfer.
(2) (New, SG No. 58/2003) Where the entire enterprise of a company is transferred, such transfer shall require a resolution adopted according to Article 262o.
(3) (Renumbered from Paragraph 2, supplemented, SG No. 58/2003) Unless agreed upon otherwise with the creditors, upon the transfer of an enterprise, the transferor shall be jointly liable with the successor up to the size of the received rights. Creditors with due payables shall first address the transferor of the enterprise.
(4) (New, SG No. 102/2017, effective 22.12.2017) An enterprise which employs workers or employees may be transferred after the transferor has paid the payable but unpaid wages, compensations, statutory social security contributions of workers and employees and employees, including to workers and employees whose employment relationships have been terminated up to three years prior to the transfer of the enterprise.
(5) (New, SG No. 102/2017, effective 22.12.2017) If the parties expressly agree to this, the enterprise may also be transferred if the successor fulfils the obligations under Paragraph 4.

Recording

Article 16

(1) (Amended, SG No. 58/2003, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The transfer of an enterprise shall be recorded in the Commercial Register simultaneously on the files of the transferor and of the successor.
(2) (New, SG No. 58/2003, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006, new, SG No. 15/2018, effective 16.02.2018) The registration shall be made upon presentation by the the transferor of a declaration according to standard form that there are no due and payable and unpaid obligations under Article 15, paragraph 4. The Registry Agency shall immediately inform the Executive Agency "General Labour Inspectorate" of the declaration submitted. The notification procedure shall be determined jointly

by the Executive Director of the Executive Agency "General Labour Inspectorate" and the Executive Director of the Registry Agency.
(3) (New, SG No. 58/2003, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006, new, SG No. 15/2018, effective 16.02.2018) The Executive Agency "General Labour Inspectorate", on alert or on its own initiative, shall check the accuracy of the facts declared according to a procedure determined by the Executive Director. Upon established discrepancy between the declared and established facts, the Executive Agency "General Labour Inspectorate" shall send the results of the examination to the bodies of the Prosecutor's Office.
(4) (New, SG No. 15/2018, effective 16.02.2018) The model of the declaration under paragraph 2 shall be approved by the Minister of Justice and the Minister of Labour and Social Policy.
(5) (Amended, SG No. 104/1996, renumbered from Paragraph 2, SG No. 58/2003, renumbered from Paragraph 4, SG No. 15/2018, effective 16.02.2018) If the agreement provides for a transfer of a real estate or a property right thereto, the agreement shall be recorded at the Registry Agency as well.

Security to creditors

Article 16a

(New, SG No. 42/1999, amended, SG No. 58/2003) (1) (Amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The successor shall manage separately the commercial enterprise which has passed thereto for a period of 6 months after the recording of the transfer.
(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Within the lime limit referred to in Paragraph 1, any creditor of the transferor or of the successor, holding a claim that is not secured and has arisen prior to the date of recording of the transfer, may demand enforcement or security according to their rights. If the demand is not satisfied, the creditor shall be eligible for preferred satisfaction from the rights held by their debtor.
(3) The members of the management body of the successor shall be jointly liable to the creditors for the separate management.

Chapter Five
BRANCHES

Branch

Article 17

(1) Each merchant may open a branch outside the residential area, where the registered office thereof is located.
(2) (Amended, SG No. 58/2003, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) A branch shall be recorded in the Commercial Register on the basis of a written application, which shall contain:
1. the registered office and business of the branch;
2. details on the person managing the branch, and the scope of the representative authority thereof.
(3) (Amended, SG No. 58/2003) A notarised consent, with a specimen of the signature of the person managing the branch, shall be attached to the application under Paragraph 2.
(4) (Amended, SG No. 58/2003, supplemented, SG No. 66/2005, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).

(5) (Amended, SG No. 58/2003, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
(6) (New, SG No. 58/2003, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
(7) (New, SG No. 58/2003, repealed, SG No. 66/2005).
Non-resident person's branch

Article 17a
(New, SG No. 66/2005)
(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Any branch of a non-resident person, registered with a right to engage in commercial activity in accordance with its national law, shall be recorded in the Commercial Register.
(2) In addition to the details under Article 17, Paragraph 2, the application for recording shall also contain details on:
1. (amended, SG No. 35/2024, effective 19.04.2024) the legal form, the business name and the registered office of the non-resident person, as well as the business name of the branch, if different from that of the non-resident person;
2. the register and number, under which the non-resident person was recorded, if provided for by applicable law;
3. the jurisdiction, applicable to the non-resident person, if different from the jurisdiction of a Member State of the European Union;
4. the persons representing the non-resident person according to the register, in which the said person is recorded, if such a register exists, the manner of representation, as well as any liquidators, trustees in bankruptcy and the powers thereof.
(3) The following details shall also be recorded in the register:
1. under Paragraph 2, as well as any change therein, including closing of the branch;
2. of dissolution of the non-resident person, initiation of liquidation, business continuity, termination and conclusion of liquidation;
3. regarding all acts of the bankruptcy court, recorded in the register, wherein the non-resident person has been recorded, as well as the resolutions under Article 759, Paragraph 1 and Article 760, Paragraph 3, if any;
4. regarding expungement of the non-resident person.
(4) A copy of the following shall be submitted to the register:
1. the Deed of Incorporation, Memorandum or Articles of Association of the non-resident person, with all amendments and supplements, including those made after the recording of the branch;
2. (supplemented, SG No. 35/2024, effective 19.04.2024) each annual financial statement of the non-resident person, after it has been recorded or presented in accordance with the legislation of the country, where the said person is registered, unless this data has been received via the system for interconnection of the registers of the Member States.
(5) (New, SG No. 22/2015, effective 1.01.2017, amended, SG No. 35/2024, effective 19.04.2024) Any details under Paragraph 3 of the non-resident person may also be recorded administratively, based on a notification from the register of another Member State, where the foreign person is recorded, received via the system for interconnection of the registers of the Member States.
(6) (New, SG No. 22/2015, effective 1.01.2017) If the non-resident person is expunged from the other Member State's register, where it had been recorded, and the expungement is not a result of a change in its legal organisation, merger, split or relocation of its registered office to another

country, the branch shall be expunged administratively, based on the notification from the register of the other Member State, received via the system for interconnection of the registers, provided that, at the time of receipt of the notification, no application to record the closing of the branch has been received from the non-resident person.

Branch relocation

Article 18

The rules, applicable to the merchant, shall also apply to the registered office and management address of the branch and its relocation.

Business books of a branch

Article 19

A branch shall keep business books as a merchant in its own right, without preparing a separate balance sheet. The branches of juridical persons which are not merchants within the meaning hereof, and the branches of non-resident persons shall prepare a balance sheet as well.

Jurisdiction

Article 20

Claims on any disputes arising from direct relationships with a branch may be raised against the merchant at the registered office of the branch as well.

Chapter Six
COMMERCIAL AGENCY

Section I
Business agents

Authorised officer (business manager)

Article 21

(1) (Amended, SG No. 70/1998) An authorised officer shall be a natural person commissioned and authorised by a merchant to manage its enterprise against compensation. Such authorisation may be given to more than one person for either a separate or a joint management. The authorised officer's authorisation (power of attorney) must bear notarised signatures and must be submitted by the merchant for recording in the Commercial Register together with a specimen of the signature of the authorised officer.

(2) The authorised officer shall sign by adding their own name to the merchant's business name and an additional text, indicating the authorisation.

(3) (New, SG No. 14/2011, effective 15.02.2011) An authorised officer may neither be a person who has declared bankruptcy, nor a person who has been a managing director, a member of a managing or controlling body of a company, dissolved due to bankruptcy, in the last two years prior to the date of the decision to declare bankruptcy, in case there were unsatisfied creditors.

Authorised officer's powers

Article 22

(1) The authorised officer shall be entitled to perform any actions and transactions related to the business, represent the merchant and authorise other persons to perform certain actions. They may not transfer their legal rights to another person.
(2) The authorised officer may not transfer or encumber any real estate of the merchant, unless expressly authorised thereto. The authorisation may be restricted to the business of a single branch. No other restrictions shall have effect in respect of third parties.
Relationships between the merchant and the authorised officer

Article 23

The relationship between the merchant and the authorised officer shall be governed by an agreement.
Effect of authorisation in respect of third parties

Article 24

An authorisation shall have effect in respect of third parties only after recording in the Commercial Register.
Termination of the authorised officer's authorisation

Article 25

(1) The authorised officer's authorisation shall be terminated upon their withdrawal from the merchant and the recording of such withdrawal in the Commercial Register.
(2) The authorisation shall not be terminated upon the merchant's death or interdiction.
Business agent

Article 26

(1) The business agent shall be a person authorised by a merchant to perform the actions, indicated in the authorisation, against compensation. Unless directed otherwise, the agent shall be considered authorised to perform all actions related to the merchant's usual business. The authorisation shall be made in writing with a notarised signature.
(2) In order to be able to transfer or encumber any real estate, accept any obligations under bills of exchange, take a loan and conduct litigation, the business agent must be expressly authorised. Any other restrictions on the authorisation shall be effective vis-a-vis any third party only if the third party was aware or ought to be aware of such restrictions.
(3) A business agent may not transfer their powers to a third party without the merchant's consent.
(4) A business agent shall sign by adding their own name to the business name and an additional text, indicating that they are an agent.
Relationships between the merchant and the agent

Article 27

The relationships between the merchant and the agent shall be governed by an agreement.
Termination of the business authorisation

Article 28

The authorisation of a business agent shall be terminated in accordance with the provisions of civil legislation.
Restrictions and liability

Article 29

(1) The authorised officer and the business agent may not, without the merchant's consent, conduct commercial transactions, either on their own behalf, or on the behalf of a third party, within the

scope of their authorisations. Consent shall be deemed given if, at the time of authorisation, the merchant was aware of these activities and their termination was not agreed upon expressly.
(2) In case of a breach under the foregoing paragraph, the merchant shall be entitled to either seek compensation or state that the transactions effected by the authorised persons have been effected for their account. The statement shall be made in writing within than 1 month after learning of the transaction, but not later than 1 year after the transaction is concluded and shall be addressed to the authorised officer or to the business agent and to the third party.
(3) The claim under Paragraph 2 shall lapse after a 5-year period of prescription after the transactions are concluded.

Sales representative

Article 30

(1) The relationships between a merchant and the sales representative shall be governed by an agreement.
(2) The sales representative may not effect transactions at the expense of the merchant. When working in a generally accessible sales area, the sales representative shall be deemed authorised to effect the transactions which are usually effected in such an area.

Restrictions

Article 31

The sales representative may not engage in any commercial activity independently or at the expense of others in competition with their employer, except with the latter's express consent.

Section II
Dealer

Definition

Article 32

(1) The dealer shall be a person engaged independently and by occupation in assisting the commercial business of another merchant. The dealer may be authorised to effect transactions on behalf of the merchant or on their own behalf, but at the expense of the merchant.
(2) (Supplemented, SG No. 38/2006) The agreement between the merchant and the dealer must be concluded in writing. The merchant may not invoke against the dealer any arrangements in deviation of the provisions of Articles 33, 34, Article 36, Paragraphs 4 and 5, and Article 40 that are detrimental to the dealer.

Dealer's obligations

Article 33

(1) (Amended, SG No. 83/1996, previous text of Article 33, SG No. 38/2006) A dealer shall assist or effect transactions, exercising the care of a prudent businessman, taking into consideration the merchant's interests. The dealer shall forthwith notify the merchant on any transaction effected by the former.
(2) (New, SG No. 38/2006) The dealer shall follow the instructions of the merchant and provide the merchant with the entire information at the dealer's disposal in relation to the activity thereof.

Merchant's obligations

Article 34

(1) (Amended and supplemented, SG No. 38/2006) The merchant shall provide the dealer with the necessary information and documents for the conclusion and performance of the commissioned transactions.
(2) (Supplemented, SG No. 38/2006) The merchant shall promptly notify the dealer as to whether the merchant accepts the transaction concluded without representative authority, as well as whether the merchant has concluded a transaction prepared by the dealer.
(3) (New, SG No. 38/2006) The merchant shall provide the dealer with the information necessary for the dealer's business, including on any possible considerable reduction of the volume of concluded transactions compared to what is expected.

Del credere commission

Article 35

When the dealer undertakes to personally guarantee the performance of their obligations under effected transactions, the dealer shall be entitled to a special remuneration (*del credere* commission), which shall be agreed upon in writing. The parties may not agree in advance that no such commission shall be owed.

Entitlement to a commission

Article 36

(1) (Amended and supplemented, SG No. 38/2006) The dealer shall be entitled to a commission for all transactions effected by them, through their assistance or with customers attracted by them for the conclusion of the relevant type of transactions during the term of their agreement with the merchant. A commission shall also be paid for any transactions, which were prepared but not concluded, except where the reason thereof was no fault of the merchant.
(2) Where the dealer is entrusted with a specific territory or customer group, they shall also be entitled to a commission for all transactions concluded without their assistance, but with persons from the same territory or with the same customer group.
(3) The dealer shall be entitled to a commission for any of the merchant's receivables collected by the dealer.
(4) (New, SG No. 38/2006) The merchant shall provide the dealer with the information necessary to calculate the payable commission not later than the time limit under Article 38.
(5) (Renumbered from Paragraph (4), supplemented, SG No. 38/2006) Either of the parties shall be entitled to request from the other abstracts of the business books concerning the transactions concluded on the basis of the dealership agreement, including any abstracts necessary to verify the determined commission.

Commission rate

Article 37

(Supplemented, SG No. 38/2006)
Where the commission rate has not been agreed upon, it shall be presumed to amount to the customary rate paid for the specific activity. If the customary rate cannot be established, the commission shall be determined by the court *ex aequo et bono.*

Commission payment period

Article 38

(Amended and supplemented, SG No. 38/2006)
A dealer's commission shall be paid on a monthly basis. The agreement may specify another period for the payment of the commission, which may not be longer than the period ending on the last day

of the month following the quarter during which the relevant transaction was concluded or had to be concluded.

Reimbursement for customary expenses

Article 39

A dealer shall be entitled to reimbursement for the customary expenses related to their activities, unless the agreement provides for otherwise.

Compensation and commission upon termination

Article 40

(Amended, SG No. 103/1993, SG No. 38/2006)

(1) The dealer or, respectively, their heirs in the event of their death, shall be entitled to a lump-sum compensation upon termination of the agreement, if the merchant continues to enjoy benefits from the customer base, if it was created by the dealer, or the latter has considerably increased the volume of transactions concluded with the said customer base. The entitlement to such compensation shall be assessed considering all circumstances, including the existence or absence of restrictive commercial clauses.

(2) Such compensation shall be equal to the annual commission of the dealer, calculated on the basis of the dealer's average annual commission for the entire duration of the agreement, but for not more than the last 5 preceding years.

(3) The compensation under Paragraph 2 may not be claimed, when:

1. more than one year has lapsed since the termination of the agreement without the dealer notifying the merchant in writing on the claimed compensation;
2. the agreement has been rescinded through the fault of the dealer or has been terminated unilaterally by the dealer pursuant to Article 47, Paragraph 1 or 2, except where this has resulted from the permanent disability or age of the dealer;
3. the dealer has transferred the legal relationship to another person, including with the consent of the merchant.

(4) Upon termination of the agreement, the dealer may claim compensation for contracts already concluded or prepared for conclusion by them.

(5) The dealer shall not be entitled to a commission under Article 36, when, pursuant to Paragraph 4, the commission is payable to a previous dealer, except in the cases where, according to the circumstances, the commission should be shared between the two.

Restrictions following termination of agreement

Article 41

(1) Any restrictions on the activities of a dealer after the termination of the agreement shall be agreed upon in writing.

(2) The restriction must apply to the same territory and types of goods or services, as the ones subject to the dealership agreement. The period of restriction may not be more than 2 years following the termination of the agreement. The merchant shall owe a respective compensation for the period of restriction.

(3) If the dealer terminates the agreement through the fault of the merchant, the dealer shall may waive this restriction by a 1-month written notice after the termination.

Effect of the restriction

Article 42

Even when not authorised to conclude contracts, the dealer may accept actions by third parties to protect the third parties' rights against bad performance by the merchant. The dealer may collect

evidence on behalf of the merchant. Any restriction on these rights shall have effect vis-a-vis any third parties only if they were aware or ought to have been aware of the said restriction.
Confirmation of the contract

Article 43
If the dealer concludes contracts without authorisation, and the third party was not aware of this, the contract shall be presumed confirmed by the merchant, if the merchant fails to reject it immediately after being notified of it by the dealer or the third party and inform them thereon.
Prohibition on representation of competitors

Article 44
The dealer may represent multiple merchants, as long as they do not compete. They may reach agreement with the merchant to be their exclusive representative.
Scope of representative authority

Article 45
The dealership agreement shall define the subject and territory of the dealer's activities.
Relationships between merchant and dealer

Article 46
(1) The internal relationships between the dealer and the merchant shall be governed by the agreement between them. Unless agreed upon otherwise, the dealer shall furnish their own working premises. If the commission is not indicated in the agreement, the customary compensation for this type of representation shall be payable.
(2) No representation under the foregoing paragraph may be assigned to another party within the same territory.
(3) The dealer shall indicate in their issued documents and business correspondence the details under Article 13.
Termination of dealership

Article 47
(1) (New, SG No. 103/1993, amended, SG No. 38/2006) When the dealership agreement has been concluded without a fixed term, each of the parties may terminate it by a month's prior notice during the first year after its conclusion, by a two month's prior notice during the second year, and by a three months' prior notice after the second year, and the parties may not agree on shorter notice periods. When a longer notice period is agreed upon, it must be identical for both parties. Unless agreed upon otherwise, the termination of the agreement shall have effect as of the end of the calendar month during which the notice period has expired.
(2) (New, SG No. 103/1993) An agreement, concluded for a fixed term, may be terminated before its expiration, if the party wishing to terminate it compensates the other party for any damages caused.
(3) (New, SG No. 103/1993) The termination of the agreement under the procedure in Paragraphs 1 and 2 may not be to the prejudice of the dealer's rights under Article 40.
(4) (New, SG No. 38/2006) If, after the expiry of the term of the dealership agreement, both parties continue to perform their obligations thereunder, the agreement shall be presumed extended for an indefinite term. In this case, when determining the notice period under Paragraph 1, the duration of the agreement prior to the expiry of its term shall also be taken into consideration.
(5) (Renumbered from Paragraph 1, SG No. 103/1993, renumbered from Paragraph 4, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No.

80/2006) Upon termination of their business, the dealer shall, within the time limit under Article 4, apply for the expungement of the respective record in the Commercial Register.
(6) (Repealed, renumbered from Paragraph 5, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) When the dealership is terminated by the dealer's death or interdiction, the heirs or the legal guardian, respectively, or, in case of bankruptcy, the respective court, shall apply for the expungement in the Commercial Register.
Applicability

Article 48

The provisions of Articles 32 - 47 shall not apply to any persons engaged as representatives or intermediaries in stock exchange transactions, or as representatives of persons engaged in bidding operations.

Section III
Broker

Definition

Article 49

(1) Broker shall be the merchant, engaged as an intermediary in the conclusion of transactions.
(2) (Amended, SG No. 86/1996) As far as brokerage for contracts for the carriage of goods by sea and for stock exchange transactions are concerned, the provisions for such activities shall apply even when the brokerage is performed by a broker.
Broker's journal

Article 50

(1) The broker shall keep a journal, in which they shall record, on a daily basis, all concluded contracts. At the end of each day, the broker shall date and sign all records made thereon.
(2) Contracts shall be recorded consecutively in the order of their conclusion, the record shall include the names of the contracting parties, the time of conclusion of the contract and the substantial arrangements therein.
(3) The broker shall, upon request, provide the parties with an abstract from its journal containing the full record on their contract.
Broker's remuneration

Article 51

The broker shall be entitled to a remuneration, payable by one or both parties in accordance with their arrangement. Absent such an arrangement, the customary remuneration for this type of business shall be payable, as the case may be, by both parties.

Section IV
Trade secrets

(Heading new, SG No. 103/1993)

Obligation to protect trade secrets
(Heading amended, SG No. 103/1993)

Article 52

(1) (Previous text of Article 52, SG No. 28/2019) Over the course of their business, the authorised officer, the business agent, the sales representative, the dealer and the broker shall protect the trade secrets and the goodwill of the persons who have commissioned them to perform particular work.
(2) (New, SG No. 28/2019) For non-execution of the obligation under paragraph 1 the infringer shall bear liability under the Trade Secret Protection Act.

Chapter Seven
BUSINESS BOOKS

Bookkeeping obligation

Article 53

(1) (1) Any merchant shall keep books, reflecting the changes to their enterprise's property. These changes shall be registered in chronological order.
(2) The merchant shall, through inventory checks, within the time limits, prescribed by the Accountancy Act, establish the availability and value of their enterprise's itemised assets and liabilities.
(3) (Supplemented, SG No. 66/2005, amended, SG No. 67/2008) The merchant shall summarise the results of its business, based on their bookkeeping and inventory records, by creating an annual financial statement and relevant accounting reports, as needed. The annual financial statement must be audited by a registered auditor in the cases provided for by a law.

Continuity between the opening and closing balance sheets

Article 54

The opening balance sheet for each year shall correspond to the closing balance sheet for the preceding year. A balance sheet shall also be created upon the merchant's going out of business.

Admissibility as evidence

Article 55

(1) (1) Properly kept business books and records therein shall be admissible as evidence between merchants for establishing any commercial transactions.
(2) Business books kept in violation of the provisions of this Act and of the Accountancy Act shall be inadmissible as evidence in favour of the party whose duty it is to keep them.

PART TWO
TYPES OF MERCHANTS

TITLE ONE
SOLE TRADER

Chapter Eight
NATURAL PERSON MERCHANT

Definition

Article 56

Any natural person of full capacity to act, whose residence is in the country, may register as a sole trader.

Restrictions

Article 57

The following shall be ineligible for the status of a sole trader:

1. any person under bankruptcy proceedings;
2. (amended, SG No. 63/1994) any person, who is undischarged bankrupt;
3. (new, SG No. 63/1994) any person, who has been convicted on bankruptcy-related charges.
4. (new, SG No. 14/2011, effective 15.02.2011) any person, who has been a managing director, a member of a managing or controlling body of a company, dissolved due to bankruptcy, in the last two years prior to the date of the decision to declare bankruptcy, in case there were unsatisfied creditors.
5. (new, SG No. 15/2013, effective 15.02.2013) any person, who has been a managing director, a member of a managing or controlling body of a company, with regard to which non-performance of obligations to establish and maintain the stock levels, prescribed thereto under the Crude Oil and Petroleum Products Stocks Act, has been established by an effective penal order.

Registration

Article 58

(1) A sole trader shall be registered on the basis of an application, which shall state:

1. the name, residence, address and personal number (EGN);
2. the business name, under which the business will be conducted;
3. the registered office and management address;
4. the business description.

(2) A specimen of the merchant's signature and an affidavit stating that the person has not been deprived of the right to conduct business shall be attached to the application.

(3) (New, SG No. 124/1997) The details under Paragraph 1 shall be recorded in the register.

(4) (Renumbered from Paragraph 3, SG No. 124/1997) A person may register only one business name as a sole trader.

Business name of the sole trader

Article 59

A sole trader's business name shall include, without abbreviation, the person's first, last or middle name, by which they are generally known.

Transfer of a business name

Article 60

(1) The sole trader's business name may be transferred to a third party only together with their enterprise. The consent to transfer a business name shall be given in accordance with Article 15, Paragraph 1.

(2) The sole trader’s heirs, successors to the enterprise, may keep its business name.
(3) In the cases under the foregoing paragraphs, the new owner’s name shall be added to the business name.
(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The transfer shall be recorded in the Commercial Register.
Expungement from the register

Article 60a
(New, SG No. 84/2000)
The recording of a sole trader shall be expunged in the Commercial Register:
1. (amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) upon termination of the sole proprietor's activity or establishing his/her residence abroad - upon a written request from said sole proprietor;
2. (amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) in case of the sole proprietor's death - upon an application from the heirs;
3. (amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) in case of legal disability of the sole proprietor - upon an application from the guardian or the trustee.

TITLE TWO
STATE-OWNED AND MUNICIPAL ENTERPRISES

Chapter Nine
PUBLIC-ENTERPRISE MERCHANT

Status

Article 61
A state-owned and a municipal enterprise shall be either a single-member limited liability company or a single-shareholder joint-stock company. State-owned and municipal enterprises may also form other companies or combinations of companies.
Formation

Article 62
((1) State-owned enterprises shall be formed as, or transformed into, single-member limited liability companies or single-shareholder joint-stock companies under a procedure established by a law.
(2) Municipal enterprises shall be formed as, or transformed into, single-member limited liability companies or single-shareholder joint-stock companies by decision of the municipal council.
(3) State-owned enterprises, which are not companies, may be formed by a law.

TITLE THREE
COMPANIES

Chapter Ten
GENERAL

Definition

Article 63

(1) A company shall be an association of two or more persons for the purpose of conducting commercial transactions with joint means.
(2) In cases provided by a law, a company may also be established by a single person.
(3) Companies shall be juridical persons.

Types of companies

Article 64

(1) The companies may be:
1. general partnership;
2. limited partnership;
3. limited liability company;
4. joint-stock company;
5. partnership limited by shares;
6. (new, SG No. 66/2023) variable capital company.

(2) Only the companies provided for herein may be established.
(3) (New, SG No. 58/2003) Companies under Paragraph 1, Items 1 and 2 shall be personal, and those under Items 3 - 5 shall be stock companies.
(4) (Renumbered from Paragraph 3, amended, SG No. 58/2003) A law may restrict certain types of businesses to certain types of companies.

Participants in a company

Article 65

(1) The company's founders must be Bulgarian or foreign natural or juridical persons of full capacity to act.
(2) Any person may participate in more than one company to the extent such participation is not prohibited by law.
(3) (New, SG No. 84/2000) Whenever a company participates in another company, its rights as a partner or sole owner shall be exercised by the person, authorised to represent the company, or by an expressly authorised person.

Beneficial Owner

Article 65a

(New, SG No. 27/2018)

(1) The corporation shall be obliged to obtain, hold and provide, in the cases specified by law, adequate, accurate and current information on the natural persons who are the beneficial owners thereof, including the details of the beneficial interests held by the said natural persons.
(2) The identification data of the beneficial owners and the data on the legal persons or other entities wherethrough direct or indirect control is exercised, according to the requirements of the Measures Against Money Laundering Act, shall be subject to recordation in the Commercial Register.

Memorandum of association of a company

Article 66

Persons, wishing to incorporate a company, may make arrangements on any actions they need to take to prepare for the incorporation. For non-performance of obligations under that memorandum, the parties shall be liable only for the actual damages caused.

Incorporation of the company

Article 67

A company shall be deemed incorporated on the date of its recording in the Commercial Register. The application for recording shall be submitted by the appointed management body.

Interpretation of the articles of association

Article 68

The will of the parties and the objective of the interpreted provision shall be taken into account when interpreting the Articles of Association.

Liability for the company's actions prior to its recording

Article 69

(1) Any actions by the founders on behalf of the company to be incorporated, prior to the date of its recording, shall give rise to rights and obligations for the persons performing them. For any conducted transactions, it shall be indicated that the company's incorporation is pending. The persons conducting the transactions shall be jointly liable for the undertaken obligations.
(2) When the transaction has been conducted by the founders or a person authorised by them, the rights and obligations shall be transferred by operation of law to the incorporated company.

Invalidation of the incorporated company

Article 70

(1) (Amended, SG No. 84/2000) The incorporation of a company shall be invalidated only when any of the following violations has been committed:
1. there is no Memorandum of Association, or the Memorandum of Association has not been concluded in the form prescribed by the law;
2. the provisions of Articles 159 and 163 have not been complied with, in the case of a joint-stock company or a partnership limited by shares;
3. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006);
4. the objects of the company contradicts the law or good morals;
5. the Memorandum of Association or the Articles of Association does not contain the business name, the business of the company or the size of the contributions, as well as the capital, when required by law;
6. the part of the capital prescribed by law has not been paid in;

7. the number of persons of full capacity to act, who participated in the incorporation of the company, was less than the number provided for by the law.
(2) (Amended and supplemented, SG No. 84/2000, supplemented, SG No. 58/2003, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Any interested party, as well as the public prosecutor, may file a request to invalidate the company before the district court, having jurisdiction over the company's registered office, within one year after the incorporation of the company. In the cases under Paragraph 1, Items 4, 5 and 6, the court shall invalidate the company only if the violation has not been already rectified or is not rectified within a reasonable time limit extended by decision of the court.
(3) (Supplemented, SG No. 66/2005, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The court's decision to invalidate the company shall become effective as of its coming into force. As of that moment, the company shall be deemed dissolved and the court shall submit the decision for recording in the Commercial Register, after which liquidation shall be carried out by a liquidator appointed by the registrar with the Registry Agency.
(4) (New, SG No. 58/2003, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
(5) (Renumbered from Paragraph 4, SG No. 58/2003) For any actions taken on behalf of the invalidated company, the founders shall be jointly and unlimitedly liable for any obligations undertaken thereunder.
(6) (New, SG No. 84/2000, renumbered from Paragraph 5, SG No. 58/2003, amended, SG No. 59/2007) Article 604 of the Code of Civil Procedure shall not apply regarding the incorporation of a company.

Protection of membership

Article 71

Any member of a company may bring an action before the district court having jurisdiction over the company's registered office to protect their membership right and individual rights as a member, when these have been violated by bodies of the company.

Contributions in kind

Article 72

(1) If a partner or, respectively, a shareholder, makes a contribution in kind, the Memorandum or, respectively, the Articles of Association, shall state the name of the contributor, a full description of the contribution in kind, its monetary value, and the grounds for the contributor's rights.
(2) (Supplemented, SG No. 103/1993, amended and supplemented, SG No. 84/2000, supplemented, SG No. 66/2005, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The contribution in a limited liability company, a joint-stock company or a partnership limited by shares shall be valued by 3 independent experts appointed by the registrar with the Registry Agency. The conclusion of the experts shall contain a full description of the contribution in kind, the method of valuation, the resulting value and its corresponding share of the capital or the number, face value and issue price of the shares subscribed by the contributor. The conclusion shall be submitted to the Commercial Register with the application for recording.
(3) (New, SG No. 84/2000, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The valuation stated in the Memorandum or, respectively, in the Articles of Association, may not be higher than the valuation assigned by the experts.

(4)(Renumbered from Paragraph 3, SG No. 84/2000) If the contributor does not agree with the valuation, they may participate in the company with a cash contribution or withdraw from participation in the company.
(5) (Renumbered from Paragraph 4, SG No. 84/2000) The contribution in kind may not consist of future labour or services.
Deposit of contributions in kind

Article 73
(1) (Amended and supplemented, SG No. 20/2013) Any contribution of a right, the establishment or transfer of which shall be notarised, shall be deposited under the Memorandum of Association or the Articles of Association. For a contribution to a stock company, the written consent of the contributor and a description of the contribution with a notarised signature of the contributor shall be attached to the Memorandum of Association or Articles of Association. The notary public shall verify the rights of the contributor before certifying the signature.
(2) The contribution of any other rights shall be deposited in the form prescribed by the law for their establishment or transfer.
(3) (Supplemented, SG No. 84/2000) The contribution of a receivable shall be deposited under the Memorandum or, respectively, the Articles of Association, and the contributor shall attach evidence of having notified the debtor on the transfer of the receivable. The notification requirement shall not apply when the receivable is against the company itself.
(4) The right to the contribution shall be acquired as of the time of incorporation of the company.
(5) (Amended, SG No. 104/1996, supplemented, SG No. 20/2013) When the contribution consists of a property right over real estate, the respective body of the company shall, after such right has arisen, present a notarised abstract of the Memorandum of Association and, as needed, separately, the contributor's consent for recording at the Registry Agency. The aforementioned body shall present a notarised abstract of the Memorandum of Association or the Articles of Association and the contributor's consent. Upon recording, the recording judge shall verify the contributor's rights.
No discharge or deduction

Article 73a
(New, SG No. 84/2000)
The obligation of the partners in a limited liability company and of the shareholders for capital contributions may not be discharged, except upon capital reduction, or deducted.
Concealed contribution in kind

Article 73b
(New, SG No. 84/2000)
(1) When a joint-stock company, within a 2-year period after its incorporation, acquires rights at a price exceeding 10 percent of the capital, from a person who has subscribed shares at the incorporation of the company, this will require a decision by the Shareholders' General Meeting and Article 72, Paragraph 2 shall apply to the transferred rights.
(2)(Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The transaction shall become effective after the recording of the decision of the General Meeting in the Commercial Register.
(3) Paragraphs 1 and 2 shall not apply to rights acquired over the usual course of company's business, on the stock exchange or under the supervision of an administrative or judiciary body.
Payments to partners and shareholders

Article 73c

(New, SG No. 58/2003)
Payments to partners and shareholders, arising from pledged or attached stock or shares in a company, shall be made if the creditor holder of the respective pledge or attachment does not object within one month following a written notice. In the event of an objection, the amount due shall be deposited with a bank as a security to the creditor.
Revocation of a decision of the company's General Meeting

Article 74
(1) Every partner or shareholder may file a request before the district court, having jurisdiction over the company's registered office, to revoke a decision of the General Meeting, if the decision contravenes mandatory provisions of the law, the Memorandum of Association or, respectively, the Articles of Association of the company. The request shall be filed against the company.
(2) The request shall be filed within 14 days after the date of the General Meeting, if the requisitioner was present or duly notified, or, if not, within 14 days after becoming aware of the decision, but not later than three months after the date of the General Meeting.
(3) Any partner or shareholder may join the proceedings according to the provisions of the Code of Civil Procedure. They may sustain the request even if the requisitioner abandons or withdraws it.
(4) (New, SG No. 59/2007, amended, SG No. 88/2018, effective 23.10.2018) The claim shall be reviewed under the procedure of Chapter Thirty-Three, "Class Action Proceedings" of the Code of Civil Procedure, where a decision of the General Meeting of an investment company of the open-end type is being contested. Exclusion from participation shall be inadmissible in this case.
Subsequent invalidation of the revoked decision

Article 75
(1) The directions of the court, revoking the decisions of the General Meeting, the interpretation of the law, the Memorandum of Association and the Articles of Association shall be binding for the General Meeting for any subsequent discussions of the same issue.
(2) Any decisions or actions by the company bodies contravening an effective court decision shall be null and void. Any partner or shareholder may always refer to such invalidation or request the court to declare it.

Chapter Eleven
GENERAL PARTNERSHIP

Section I
General provisions

Definition

Article 76
A general partnership shall be a company formed by two or more persons for the purpose of conducting commercial transactions under a joint business name. The partners shall be jointly liable and unlimitedly.
Business name

Article 77

The business name of a general partnership shall consist of the last names or business names of one or more of the partners with the addition of "general partnership" or "partners" ([the equivalent of "and Co." in English]).

Contents of the Memorandum of Association

Article 78

The general partnership's Memorandum of Association shall be created in writing with notarised signatures of the partners and shall contain:

1. (amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) the name and residence or, respectively, the business name, the registered office and the unified identification code, as well as the address of the partners;
2. (amended, SG No. 103/1993, supplemented, SG No. 124/1997) the business name, the registered office, the management address, and the business of the partnership;
3. the type and size of each partner's contributions and the valuations thereof;
4. the manner of distribution of earnings among the partners;
5. (amended, SG No. 103/1993) the manner of management and representation of the partnership.

Registration of the general partnership

Article 79

(1) The application for recording of the general partnership in the Commercial Register shall be signed by all partners, and the Memorandum of Association shall be attached to it.

(2) The details under Items 1, 2 and 5 of the foregoing article shall be recorded in the register.

(3) The persons authorised by the Memorandum to represent the partnership shall submit specimens of their signatures.

Section II
Legal relationships between the partners

Priority of the Memorandum

Article 80

The legal relationships between the partners shall be governed by this Section, unless the Memorandum of Association provides for otherwise, with the exception of the provision of Article 87.

Compensation for expenses and damages

Article 81

(1) A partner shall be entitled to compensation for necessary expenses incurred in the course of the partnership's business, as well as to compensation for damages suffered in connection with such business.

(2) The partnership shall owe legal interest on the expenses incurred or damages suffered by a partner.

Obligation to pay interest

Article 82

A partner who is in arrears in paying their monetary contributions or receives or, respectively, takes partnership money for themselves without being entitled to do so, shall owe the partnership repayment of the said money with legal interest. If the damages for the partnership are greater, the partnership may seek compensation for the balance.

No competition

Article 83

(1) (Supplemented, SG No. 103/1993) The partner may participate in another company or conclude transactions related to the business of the partnership, at its own expense or at the expense of a third party, only with the consent of the other partners.

(2) (Amended, SG No. 103/1993) For any violation of Paragraph 1, the partnership may claim compensation for the damages suffered or state that it shall assume the rights and obligations under the concluded transactions. The statement shall be made in writing, within one month after becoming aware of the transaction, but not later than one year after its conclusion, and be shall be sent to the partner and the third party.

(3) The right to the claim under the foregoing Paragraph shall lapse 3 months after the date, on which the partners have become aware of such legal activities, or 3 years after such activities have been performed, if the partners were not aware thereof.

Management

Article 84

(1) Each partner shall be entitled to take part in the management of the partnership's business, except when management has been assigned by the Memorandum of Association to one or multiple partners, or to a third party.

(2) The consent of all partners shall be required for the acquisition or disposition of property rights to real estate, for the appointment of a managing director, who is not a partner, or for the conclusion of a contract for a loan of money, exceeding the amount set forth in the Memorandum of Association.

Revocation of management assignment

Article 85

(Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006)

The decision to assign the management to one or several partners may be revoked by the district court having jurisdiction over the partnership's registered office upon request by some of the partners, if the managing directors have violated their obligations, as well as on other grounds provided for in the Memorandum. The court decision shall be submitted administratively to the Registry Agency for recording in the Commercial Register.

Partner's right to exercise control

Article 86

Any partner, not directly involved in the management, may personally obtain information on the partnership's business, inspect the business books, the partnership and other documents, and ask for explanations from the managing directors.

Adopting decisions

Article 87

When the Memorandum of Association requires the decisions of the partnership to be adopted by a majority, each partner shall be entitled to one vote. The decisions shall be recorded into a minutes book.

Section III
Partners' legal relationships with third parties

Liability of the general partnership

Article 88

(Amended, SG No. 103/1993)

For any claim against the partnership, the claimant may also raise their claim against one or multiple partners. Enforcement shall be first against the partnership, and, should satisfaction prove impossible, against the partners.

Representation

Article 89

(1) Each partner shall represent the partnership, unless the Memorandum of Association provides for otherwise.

(2) Any restriction of the representative powers of a partner shall not have effect vis-a-vis bona fide third parties, if it is not recorded in the Commercial Register.

Revocation of the representative powers

Article 90

The representative powers of a partner may be revoked under the procedure of Article 85.

Partners' objection

Article 91

The partner may raise their own objections against the company's creditors, in addition to the partnership's objections.

Liability of new partners joining

Article 92

Any partner joining an existing company shall be equally liable with the other partners for any and all liabilities of the company.

Section IV
Dissolution of the company and membership

Grounds for dissolution

Article 93

A general partnership shall be dissolved upon:

1. (supplemented, SG No. 103/1993) expiration of the agreed upon term or other circumstances provided for in the Memorandum of Association;
2. the partners' agreement;
3. declared bankruptcy of the company;
4. unless agreed upon otherwise, death or full interdiction of a partner, or dissolution of a partner, which is a juridical person;
5. (amended, SG No. 63/1994) demand of the trustee in bankruptcy in case of bankruptcy of a partner;
6. notice of dissolution by a partner;
7. a court decision in the cases provided for by law.

Dissolution upon notice by a partner

Article 94

When the company has been formed for an indefinite term, each partner may request its dissolution by giving all partners at least 6 months notice in writing, unless the Memorandum of Association provides for otherwise.

Dissolution upon court decision.Dismissal of a partner

Article 95

(1) The district court may dissolve the company upon request by a partner, when another partner has deliberately or in gross negligence failed to perform their obligation under the Memorandum of Association or the performance of the obligation has become impossible. This rule shall also apply, when a partner acts against the interests of the company.

(2) Acting upon request by a partner, the court may, instead of dissolving the partnership, dismiss the non-performing partner.

Dissolution upon notice by a private creditor of a partner

Article 96

(1) The creditor of a partner, who, over the course of 6 months, cannot be satisfied by enforcement against the partner's movable property, may attach the debtor partner's liquidation share and demand dissolution of the company by written notice pursuant to the procedure under Article 94.

(2) The company shall not be dissolved if the company or the remaining partners repay the debt following the attachment under the foregoing paragraph. In this case, only the partner's membership in the company shall be terminated, unless the partners decide otherwise.

Continuation of the company

Article 97

(1) The Memorandum of Association may provide that the company will continue to exist even when the membership of a partner is terminated. In such case, the remaining partners shall pay out the share of the property to the partner, whose membership is terminated, and in the event of a partner's death, the heirs thereof, who has expressed their wish to do so, shall join as partners. The heirs shall declare their wish to join as partners not later than 3 months after the date of the opening of the succession.

(2) In case the heirs do not wish to join as partners, as well as in case of termination of the membership of a partner, the company shall pay out the value of the share of the company property of the decedent or the partner with terminated membership, and their share of the annual earnings for the period up to the termination of the membership.

Period of prescription

Article 98

(1) Any claims against a partner for liabilities of the company shall lapse after a 5-year period of prescription, except where a shorter period of prescription applies to the claim against the company.

(2) (Supplemented, SG No. 58/2003) The period of prescription shall commence on the date, on which the dissolution or transformation of the company, or the withdrawal of the partner, is recorded in the Commercial Register.

(3) Any suspension of the period of prescription with respect to the dissolved company shall also have effect in respect of those partners who were in the company at the time of the dissolution.

Chapter Twelve
LIMITED PARTNERSHIP

Section I
General provisions

Definition

Article 99

(1) A limited partnership shall be formed by a memorandum between two or more persons for the purpose of conducting business under a common business name, whereby one or more of the partners shall be jointly and unlimitedly liable for the company's liabilities, and the remaining partners shall be liable up to the amount of the agreed upon contribution.

(2) (Repealed, renumbered from Paragraph 3, SG No. 103/1993) The respective provisions for the general partnership shall apply to the limited partnership, unless provided for otherwise in this Chapter.

Form

Article 100

The Memorandum of Association shall be created in writing with notarised signatures of the partners.

Business name

Article 101

(1) The business name of the company shall contain the designation "limited partnership" or abbreviated "LP" and the name of at least one general partner.

(2) The name of a limited partner shall not be included in the business name - if it is, that partner shall be unlimitedly liable to the company's creditors.

Contents of the Memorandum

Article 102

A limited partnership's Memorandum of Association must contain:

1. the business name of the company;
2. the registered office and address;
3. the business;
4. (supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) the name or, respectively, the business name, the unified identification code, the address of the partners and the extent of their liability;
5. (repealed, SG No. 84/2000);
6. the type and size of the partners' contributions;
7. the manner of distribution of earnings among the partners;
8. the manner of management and representation of the company.

Recording

Article 103

(Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006)

The limited partnership shall be recorded in the Commercial Register by the general partners, who shall submit the Memorandum of Association and specimens of their signatures.

Section II
Legal relationships between the partners

Priority of the Memorandum

Article 104

The relationships between the partners, unless provided for otherwise in the Memorandum, shall be governed by this Section.

Management

Article 105

A limited partnership shall be managed and represented by the general partners. A limited partner has no right to manage the partnership and may not block the decisions of the general partners.

Limited partner's actions

Article 106

If a limited partner conducts transactions on behalf and at the expense of the company, without being its managing director or agent, they shall be personally liable, except when the company confirms the transaction.

No competition with regard to the general partner

Article 107

The rule of Article 83 shall apply to the general partners.

Limited partner's rights

Article 108

Any limited partner may inspect the company's business books and request a copy of its annual financial statement. If the partner's request is declined, the district court shall order that these be made available to the partner.

Limited partner's share of the earnings

Article 109

(1) If the limited partner has not deposited the stipulated contribution in full, the amount of the contribution shall be deducted from the partner's share of the earnings.

(2) The limited partner's share of the loss shall be up to the amount of the stipulated contribution. The limited partner shall not be bound to pay back any received earnings to offset subsequent loss.

No distribution of earnings

Article 110

When, at the end of a calendar year, it is established that the company has loss, affecting the contributions made, no earnings shall be distributed before the contributions have been restored to their stipulated amounts.

Section III
Legal relationships with third parties

Liability of the limited partner

Article 111

The limited partner shall be liable to the company's creditors to the extent of its stipulated contribution, even when it has not been deposited in full.

Liability prior to registration

Article 112

The limited partner shall bear unlimited liability with respect to any transactions conducted by them on behalf of the company prior to its incorporation or thereafter, if the creditor was unaware that they were contracting with a limited partner.

Chapter Thirteen
LIMITED LIABILITY COMPANY

Section I
General provisions

Definition

Article 113

A limited liability company may be formed by one or more persons, who shall be liable for the company's liabilities with their contribution to the company's capital.

Form of the Memorandum of Association

Article 114

(1) (New, SG No. 103/1993) The Memorandum of Association shall be made in writing.

(2) (Previous text of Article 114, SG No. 103/1993) Any partner may be represented by a proxy holding an express power of attorney with notarised signature.

(3) (New, SG No. 103/1993) When the limited liability company is formed by a single person, a Deed of Incorporation shall be created instead of Memorandum of Association.

Contents of the Memorandum of Association

Article 115

The Memorandum of Association shall contain:

1. (amended and supplemented, SG No. 124/1997) the company's business name, registered office and address of management;
2. the business and the term of the Memorandum;
3. (supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) the name or, respectively, the business name and the unified identification code of the members;

4. (supplemented, SG No. 84/2000, amended, SG No. 82/2009, supplemented, SG No. 34/2011, effective 3.05.2011) the amount of the capital; when the full amount of the capital has not been paid in at the time of incorporation, the Memorandum shall determine the time limits and conditions for paying it in; the time limit to pay in the full amount of the capital may not be longer than two years after the registration of the company or the increase of its capital, respectively;
5. the amount of the partner's shares in the capital;
6. the management and manner of representation;
7. the privileges of the partners, if agreed upon;
8. other rights and obligations of the partners.

Business name

Article 116

(1) The business name of the company shall contain the designation "limited liability company" or abbreviated "LLC."
(2) When the capital is owned by a single person, the business name shall contain the extension "single-member LLC."

Capital and shares

Article 117

(1) (Amended, SG No. 100/1997, SG No. 82/2009, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) The capital of a limited liability company may not be not less than EUR 1. It shall consist of the shares of the partners, and no share may be smaller than one euro cent.
(2) (Amended, SG No. 66/2005, SG No. 82/2009) The sum total of the shares must be equal to the capital, and the value of each share must be a multiple of 1.
(3) The shares of the individual partners may be with different sizes.
(4) One share may be held jointly by multiple persons.

Liability of the founders

Article 118

(1) The founders shall be jointly liable to the company for any damages caused by them over the course of its formation, if they have not exercised the care of a prudent businessman.
(2) The founders shall not be entitled to any remuneration from the capital for the formation of the company.

Recording

Article 119

(1) Recording the company in the Commercial Register shall require:
1. (supplemented, SG No. 34/2011, effective 3.05.2011) submission of the Memorandum of Association, which shall be announced;
2. appointment of a managing director or managing directors of the company;
3. (amended, SG No. 84/2000, repealed, SG No. 82/2009);
4. (amended, SG No. 100/2008, SG No. 82/2009) the minimum amount of capital set forth by the law to be paid in;
5. (new, SG No. 34/2011, effective 3.05.2011) if the company is registered with capital, higher than the minimum amount set forth by the law, at least 70 percent of the capital shall be paid in.

(2) (Amended, SG No. 50/2008) The details under Items 1, 2, 3, 4 (only the amount of the capital) and 6 of Article 115 shall be recorded in the register and shall be announced.
(3) (New, SG No. 114/1999, amended, SG No. 39/2005) For recording in the Commercial Register of the business as an investment intermediary or any other business, for which a separate law requires an authorisation from a governmental authority, the respective licence or authorisation shall be presented.
(4) (New, SG No. 84/2000, supplemented, SG No. 34/2011, effective 3.05.2011) Upon amending or supplementing the Memorandum of Association, a copy thereof, containing all amendments and supplements and certified by the body representing the company, shall be submitted to the Commercial Register for announcing.

Section II
Partners' rights and obligations

Shares

Article 120
(1) Each partner shall pay in their share under the procedure, specified in the Memorandum of Association.
(2) (Repealed, SG No. 84/2000).
Consequences of failure to pay in the share

Article 121
(1) The failure to pay in the share shall constitute grounds for the dismissal of a partner from the company. Any partner, who has failed to pay in their share within a specified time limit, shall owe legal interest and compensation for any damages in excess thereof.
(2) When the share cannot be paid in by the partner owing it and it cannot be sold to a third party, the remaining partners shall pay in the balance in proportion to their shares or reduce the company's capital by the unpaid amount under the respective procedure.
New partner admission

Article 122
A new partner shall be admitted by the General Meeting upon a written application by the partner, stating their acceptance of the terms of the Memorandum of Association. The admission decision shall be recorded in the Commercial Register.
Partner's rights

Article 123
Each partner may be involved in the management of the company, participate in the distribution of earnings, be informed on the course of the company's business, review the company's documents, and be entitled to receive a liquidation share.
Partner's obligations

Article 124
The partner shall pay in their share contribution, be involved in the management of the company, assist in its business and implement the decisions of the General Meeting.
Termination of membership in the company

Article 125

(1) The partner's membership shall be terminated upon:

1. death or full interdiction;
2. dismissal;
3. dissolution with liquidation - for juridical persons;
4. declaration of bankruptcy;

(2) The partner may terminate its membership in the company by at least 3-month notice prior to the date of termination.

(3) Any subsequent property arrangements shall be made based on a balance sheet for the last day of the month of the termination.

Dismissal of a partner

Article 126

(1) (Amended, SG No. 58/2003) A partner, who has not paid in its share, shall be considered dismissed, if they fail to pay in their share within a time limit set additionally by the General Meeting, which may not be less than one month. The time limit shall be determined by a majority of more than one-half of the capital. The managing director shall notify the partner about the dismissal and the additional time limit.

(2) In the case under Paragraph 1, the partner shall forfeit the right thereof to any contributions made.

(3) The partner may be dismissed by the General Meeting upon written notice, when the partner:

1. fails to perform their obligations to assist in the company's business;
2. fails to implement the decisions of the General Meeting;
3. acts against the interests of the company;
4. (new, SG No. 84/2000, amended, SG No. 58/2003) fails to make an additional monetary contribution, if the member has not exercised their right to withdraw under Article 134, Paragraph 2.

Company share

Article 127

Each partner shall hold a company share of the company's property, the amount of which shall be determined according to their share in the capital, unless agreed upon otherwise.

Certificate of membership

Article 128

The certificate of membership in the company, issued to the partners, shall not constitute a security.

Transfer of shares

Article 129

(1) (Supplemented, SG No. 102/2017, effective 22.12.2017) The company share may be transferred and inherited. A transfer of a company share from one partner to another shall be made freely, and to third parties – in compliance with the requirements for admitting a new partner and provided there are no unpaid payable wages, compensations and statutory social security contributions of workers and employees and employees, including to workers and employees whose employment relationships have been terminated up to three years prior to the transfer of the company share.

(2) (Amended, SG No. 105/2016, supplemented, SG No. 15/2018, effective 16.02.2018) The transfer of the company share shall be made under an agreement, with the signatures and contents thereof notarised simultaneously, and shall be recorded in the Commercial Register upon

submission by the managing director of the company and of the predecessor according to standard form a declaration of absence of due and payable and unpaid obligations under paragraph 1 Article 16, paragraphs 2 - 4 shall apply mutatis mutandis.

Liability upon transfer

Article 130

The successor shall be jointly liable with the transferor for any contributions to the capital payable at the time of the transfer.

Partition of a company share

Article 131

The partition of a company share shall be admissible only with the consent of the partners, unless agreed upon otherwise.

Co-ownership of a share

Article 132

If one share in the capital is co-owned by multiple persons, they may exercise their rights related thereto only jointly. They shall be jointly liable for any obligations related to this share. The co-owners of the share shall designate a person to represent them before the company.

Earnings and payments

Article 133

(1) The partners may not claim their shares as long as the company exists. They may be entitled only to part of the earnings in proportion to their shares, unless agreed upon otherwise.

(2) No interest on the partners' shares may be agreed upon.

Additional monetary contributions

Article 134

(1) (1) To cover any losses and temporary need of funds, the partners may be required to make additional monetary contributions within a set time limit by decision of the General Meeting. The additional contributions shall be in proportion to the respective shares in the capital, unless provided for otherwise.

(2) (Amended, SG No. 58/2003) A partner, who has not voted in favour of the decision under Paragraph 1, shall have the right to terminate their membership in the company in accordance to Article 125, Paragraphs 2 and 3. This right may be exercised within one month after the meeting by the attending or duly notified members or within one month after the notice thereon by all other members.

(3) (Supplemented, SG No. 58/2003) The additional contributions shall not affect the company's capital. It may be agreed for the company to pay interest on such contributions. Article 73c shall not apply to refunds of additional monetary contributions.

Section III
Management

Types of bodies

Article 135

(1) The company bodies shall be:

1. the General Meeting;
2. the managing director (managing directors).

(2) The managing director need not be a partner.

Partners' General Meeting

Article 136

(1) The General Meeting shall consist of the partners.
(2) The company managing director shall take part in the sessions of the General Meeting in an advisory capacity, if they are not a partner.
(3) Where the number of company employees exceeds 50, they shall be represented in the General Meeting in an advisory capacity.

Competence of the General Meeting

Article 137

(1) The General Meeting may:
1. amend and supplement the Memorandum of Association;
2. (amended, SG No. 103/1993) admit and dismiss partners, give consent to the transfer of a company share to a new member;
3. approve the annual report and balance sheet, distribute the earnings and adopt decision on their disbursement;
4. adopt decisions on any capital reductions or increases;
5. appoint the managing director, determine their remuneration and relieve them of their duties;
6. adopt decisions on any branch openings and closings, and membership in other companies;
7. adopt decisions on any acquisitions and transfers of real estate and property rights thereto;
8. adopt decisions to raise any company claims against the managing director or comptroller and appoint counsel to conduct litigation against them;
9. adopt decision on additional monetary contributions.

(2) Each partner shall have a number of votes in the General Meeting commensurate to their share in the capital, unless the Memorandum provides for otherwise.
(3) (Amended, SG No. 103/1993, SG No. 84/2000, supplemented, SG No. 58/2003) Any decisions under Paragraph 1, Items 1, 2 and 9 shall be adopted by a majority of more than three-quarters of the capital, while any decisions under Item 4 shall be adopted unanimously by all partners, and a greater majority may be provided for in the Memorandum of Association. The partner being dismissed shall not vote and their share shall be deducted from the capital when determining the majority. Any other decisions shall be adopted by a majority of more than 1/2 of the capital, unless the Memorandum of Association provides for otherwise.
(4) (New, SG No. 105/2016) For any decisions adopted under Paragraph 1, Item 2, Paragraph 4, Item 5, sentence one and Item 7, a record with simultaneous notarisation of the signatures and contents thereof shall be created, unless a written form is provided for in the Memorandum of Association.
(5) (New, SG No. 105/2016) Any General Meeting decisions, adopted in violation of Paragraph 4, shall be null and void.
(6) (Renumbered from Paragraph 4, SG No. 105/2016) The partners may vote by proxy only when such proxy holds an express power of attorney in writing; this rule shall not apply to any partners, which are juridical persons and legal representatives.
(7) (Renumbered from Paragraph 5, SG No. 105/2016) The General Meeting shall adopt decisions on labour and social issues after hearing the position of the representative of the company's staff.

Convention of the General Meeting

Article 138

(1) The General Meeting shall be convened by the managing director at least once every year.
(2) The managing director shall also convene the General Meeting upon written requisition by partners holding shares of more than 1/10 of the capital. If the managing director fails to convene the Meeting within 2 weeks, the requisitioning partners shall be entitled thereto.
(3) (Supplemented, SG No. 58/2003) The managing director shall convene the General Meeting immediately should the losses exceed 1/4 of the capital, as well as when the net worth of the company under Article 247a, Paragraph 2 falls below the amount of the registered capital.

Notice of General Meeting

Article 139

(1) The General Meeting shall be convened by a notice in writing received by each partner at least 7 days before the date of the session, unless the Memorandum of Association provides for otherwise. The notice shall also contain the agenda.
(2) The General Meeting may adopt decisions in absentia, if all partners have declared their consent thereof in writing.

Recording of decisions

Article 140

(1) Any General Meeting decisions, which are related to the records under Article 119, Paragraph 2, must be recorded in the Commercial Register.
(2) Paragraph 1 shall apply to the decisions of the owner of a single-member company.
(3) (New, SG No. 84/2000, amended, SG No. 58/2003) Any decisions on amending or supplementing the Memorandum of Association or dissolution of the company shall become effective after their recording in the Commercial Register.
(4) (New, SG No. 58/2003) Any increase or reduction of the capital, admission or dismissal of a partner, transformation of the company, election or dismissal of a managing director, as well as appointment of a liquidator, shall become effective as of their recording in the Commercial Register.

Management and representation

Article 141

(1) The managing director shall manage the business of the company in accordance with the law and the General Meeting decisions.
(2) (Supplemented, SG No. 84/2000) The company shall be represented by the managing director. When the company has multiple managing directors, each of them may act independently, unless the Memorandum of Association provides for otherwise. Any other restrictions of the representative power of the managing director shall have no effect vis-a-vis third parties.
(3) (Amended, SG No. 84/2000, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The name of the managing director, who shall submit a notarised consent with a specimen of the signature, shall be recorded in the Commercial Register.
(4) (New, SG No. 58/2003) The empowerment of the managing director may be withdrawn at any time, whereupon their name shall be expunged from the Commercial Register.
(5) (New, SG No. 58/2003, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The managing director may request to be expunged from the Commercial Register by a written notice to the company. Within one month after receipt of such notice, the company must apply for their dismissal to be recorded in the Commercial Register. If the company fails to do so, the managing director themselves may apply for this circumstance to be

recorded, which shall be recorded regardless of whether another person has been elected to replace them.
(6) (New, SG No. 66/2005) The empowerment and its expungement, upon the recording thereof, shall have effect vis-a-vis bona fide third parties.
(7) (New, SG No. 58/2003, renumbered from Paragraph 6, SG No. 66/2005) The relationships between the company and the managing director shall be arranged by a management contract. The contract shall be concluded in writing on behalf of the company by a person authorised by the Partners' General Meeting, or by the sole owner.
(8) (New, SG No. 14/2011, effective 15.02.2011, supplemented, SG No. 15/2013, effective 15.02.2013, amended, SG No. 66/2023) Managing director may neither be a person who has declared bankruptcy, nor a person who has been a managing director, a member of a managing or controlling body of a company, dissolved due to bankruptcy, in the last two years prior to the date of the decision to declare bankruptcy, in case there were unsatisfied creditors. These restrictions shall lapse upon the expiry of a 5-year period from the dissolution of the corporation through bankruptcy. The lapse of the restrictions shall be declared expressly, indicating the specific circumstances.
(9) (New, SG No. 66/2023) Managing director may not also be a person, who has been a managing director, a member of a managing or controlling body of a company, with regard to which non-performance of obligations to establish and maintain the stock levels, prescribed thereto under the Crude Oil and Petroleum Products Stocks Act, has been established by an effective penal order.
No competition

Article 142
(1) Without the consent of the company, the managing director may not:
1. conduct any commercial transactions on their own behalf or on behalf of any third party;
2. be partner in general and limited partnerships and in limited liability companies;
3. hold positions in management bodies of other companies.
(2) The restrictions under Paragraph 1 shall apply when the business conducted is similar to that of the company.
(3) (Amended, SG No. 58/2003) For any violations of their obligations under Paragraph 1, the managing director shall owe compensation for damages caused to the company.
Company books

Article 143
(1) The company shall keep a share register and a minutes book on the General Meeting decisions.
(2) The share sizes of all partners, the contributions made and any changes thereto shall be recorded in the share register.
(3) The managing director shall be responsible for the proper bookkeeping.
Comptroller

Article 144
(1) The Memorandum of Association may provide for the appointment of a comptroller (comptrollers), who shall supervise the observance of the Memorandum of Association, the preservation of the company's property, and shall report to the General Meeting.
(2) The following may not be comptrollers:
1. the managing directors, their deputies and company employees;
2. spouses, lineal relations and collateral relatives up to the third degree of consanguinity to the persons under the foregoing item;

3. persons who have been deprived of the right to hold a position of financial accountability.
(3) In a single-member company, the comptroller shall be appointed by the owner.
Liability of the managing director and the comptroller

Article 145
The managing director and the comptroller shall be financially liable for any damages caused to the company.
Auditors

Article 146
(1) (Supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006, amended, SG No. 67/2008) The company's annual financial statement shall be audited by one or several auditors, who shall be registered auditors in the cases provided for by a law.
(2) Such audit shall be a condition for approving the annual financial statement.
(3) The auditors shall be elected by the General Meeting before the expiration of the calendar year. They shall be liable for the proper and unbiased audit and for maintaining confidentiality.
(4) (New, SG No. 84/2000, amended, SG No. 66/2005, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The adopted annual financial statement shall be submitted to the Commercial Register.
Management of a Single-Member Limited Liability Company

Article 147
(1) The sole owner of the capital shall manage and represent the company, either personally or through an managing director appointed by the owner. If the owner is a juridical person, then its manager or a person appointed by the manager shall manage the company.
(2) (Supplemented, SG No. 84/2000) The sole owner shall decide on the issues within the powers of the General Meeting, minutes of which shall be taken in the relevant form for the General Meeting decisions.
(3) (New, SG No. 84/2000) Any contracts between the sole owner and the company, when it is represented by the sole owner, shall be concluded in writing.

Section IV
Amendments to the Memorandum of Association

Increase of the capital

Article 148
(1) The capital may be increased through:
1. increasing the shares;
2. subscribing new shares;
3. admitting new partners.
(2) The partners may increase their shares commensurate with their holdings, unless the Memorandum of Association or the General Meeting decision provides for otherwise.
Reduction of the capital

Article 149

(1) (Amended, SG No. 70/1998, SG No. 84/2000) The capital may be reduced to not less than the minimum amount established by a law, by a decision to amend the Memorandum of Association observing the requirements of Articles 150 and 151. In this case, a simultaneous reduction or increase of the capital may be made under the procedure of Article 203.
(2) The decision shall state the purpose, amount and manner of the reduction.
(3) The capital may be reduced by:
1. reducing the value of the share in the capital;
2. returning the share in the capital to the partner, who has terminated its membership;
3. discharging an obligation to pay in the unpaid portion of the share in the capital.
Notice to the creditors

Article 150
(1) (Supplemented, SG No. 66/2005, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The decision on the reduction of the capital shall be submitted to the Commercial Register and shall be announced. By its announcement, it shall be presumed that the company has declared its readiness to furnish security for the receivables or to pay its payables, due at the moment of announcement, to the creditors objecting to the reduction.
(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The creditors' consent to the reduction shall be presumed, if they do not express in writing their objection within 3 months after the announcement.
(3) (Repealed, SG No. 84/2000).
Recording the reduction

Article 151
(1) The amendment to the Memorandum of Association, whereby the capital is reduced, shall be recorded upon expiration of the time limit under the foregoing Article.
(2) The application for recording shall enclose proof of conformity with the requirements under Article 150 and a statement in writing by the managing director that either security has been furnished or the debt has been repaid to the creditors objecting to the reduction.
Creditors' protection
(Heading amended, SG No. 104/2007)

Article 152
(1) (Previous trext of Article 152, SG No. 104/2007) If the details provided by the managing director to record the reduction are untrue, they shall be liable for any damages caused to the creditors to the extent they could not be satisfied from the company. Where there are several managing directors, they shall be jointly liable.
(2) (New, SG No. 104/2007) Any creditor under in Article 150, Paragraph 1, who has expressed their objection to the time limit under Article 150, Paragraph 2 and has not received satisfaction or sufficient security for their receivable within the said time limit, may request the court, under the claim security procedure, to admit security for their receivable to be duly provided by attachment or interdiction. The security shall be cancelled, if the recording of the capital reduction is declined or if the creditor's receivable is satisfied.
Payments arising from the reduction

Article 153
(Supplemented, SG No. 84/2000)

Payments to any partners, arising from any capital reduction, may be made only after the reduction has been recorded in the Commercial Register, and after the creditors objecting to the reduction have received security or payment.

Section V
Dissolution and liquidation of the company

Dissolution of the company

Article 154

(1) The company shall be dissolved:
1. upon expiration of the term specified in the Memorandum of Association;
2. (amended, SG No. 84/2000) upon decision by the partners, adopted by a majority of three-quarters of the capital, unless the Memorandum of Association provides for a greater majority;
3. through a merger with, or an acquisition by, a joint-stock company or another limited liability company;
4. upon declaration of bankruptcy;
5. upon decision by the district court, in any cases provided for herein.
(2) The Memorandum of Association may provide for other grounds for dissolution of the company.

Dissolution upon court decision

Article 155

(Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006)
The company may be dissolved by a decision of the district court having jurisdiction over its registered office upon:
1. a claim by the partners showing serious cause. The claim shall be raised against the company, if the claimants' shares represent more than 1/5 of the capital;
2. (amended, SG No. 84/2000) upon an indictment brought in by the public prosecutor, if the company's business is against the law;
3. (new, SG No. 58/2003) upon a request filed by the public prosecutor, when no managing director of the company has been recorded within three months.

Liquidation of the company

Article 156

(1) In the case of dissolution of the company pursuant to Article 154, Items 1, 2 and 5 and Article 155, a liquidation procedure shall be initiated.
(2) The company's liquidator shall be its managing director, unless another person is appointed under the Memorandum or upon decision by the General Meeting.
(3) Upon request by the comptroller or by the partners, holding at least 1/10 of the capital, the court may appoint other liquidators.
(4) The company shall be liquidated under the procedure of Chapter Seventeen.

Dissolution of a single-member limited liability company

Article 157

(1) The company, wherein the capital is owned by a single natural person, shall be dissolved upon that person’s death, unless provided for otherwise or the heirs wish to continue the business.
(2) When the capital is owned by a single juridical person, the company shall be dissolved upon the dissolution of that juridical person.

Chapter Fourteen
JOINT-STOCK COMPANY

Section I
General provisions

Definition

Article 158
(1) A joint-stock company shall be a company the capital stock of which is divided into shares. The company shall be liable to its creditors up to the extent of its property.
(2) The business name of the joint-stock company shall include the designation "joint-stock company" or abbreviated "JSC."
Number of founders

Article 159
(Amended, SG No. 84/2000)
(1) A joint-stock company may be founded by one or more natural or juridical persons.
(2) When a joint-stock company is formed by a single person, a Deed of Incorporation shall endorse the Articles of Association and shall appoint the first supervisory board or board of directors.
(3) The Deed of Incorporation shall be created in writing.
Founders

Article 160
(1) (Amended, SG No. 84/2000) Founders are those persons, who have subscribed shares at the incorporation meeting.
(2) Persons declared bankrupt may not be founders.
Capital and shares

Article 161
(1) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) The capital and the value of the shares shall be indicated in euro, respectively in euro cent.
(2) (Amended, SG No. 100/1997, SG No. 84/2000, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of

the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) The minimum value of the capital of a joint-stock company shall be EUR 25,000.
(3) (Amended, SG No. 25/1992, SG No. 70/1998, SG No. 60/2012, effective 7.08.2012) A separate law may set another minimum amount of the capital of certain joint-stock companies.
(4) (Supplemented, SG No. 84/2000, SG No. 66/2005) The capital must be fully subscribed. The company may not subscribe shares from its capital. If this prohibition is violated at the incorporation of the company, the founders shall be jointly liable for the subscribed shares. If a person subscribes to shares on their own behalf and at the expense of the company, the shares shall be deemed acquired entirely at the expense of that person.

Face value of the share

Article 162

(Amended, SG No. 84/2000, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) The minimum face value of a share shall be one euro cent.

Section II
Incorporation

Incorporation meeting

Article 163

(Amended, SG Nos. 63/1995, 84/2000) (1) A joint-stock company shall be founded at an incorporation meeting attended by all the persons subscribing to shares. A founder may be represented by a proxy with an express power of attorney with a notarised signature.
(2) Shares shall be subscribed at the incorporation meeting.
(3) The incorporation meeting shall:
1. adopt decision on the incorporation of the company;
2. adopt the Articles of Association;
3. establish the amount of the incorporation expenses;
4. elect a supervisory board, or a board of directors, respectively.
(4) The decisions under Paragraph 3, Items 1 and 2 shall be adopted unanimously, and minutes shall be taken pursuant to Article 232.
(5) When a joint-stock company is incorporated by a single person, a Deed of Incorporation shall be created.

Content of the prospectus

Article 164

(Repealed, SG No. 63/1995).

Content of the Articles of Association

Article 165

(Amended, SG No. 84/2000)
The Articles of Association must contain:
1. the company’s business name, registered office and management address;
2. the business and the term, if a term has been set;

3. (supplemented, SG No. 66/2005) the amount of the capital, as well as the portion thereof which must be paid in upon the incorporation of the company, the type and number of shares, the rights of the individual classes of shares, any special terms for their transfer, as well as the face value of the individual share;
4. the bodies of the company, their mandate and number of members;
5. the type and value of any contributions in kind, the persons making them, the number and face values of the shares to be given to such persons;
6. any advantages, reserved by the founders for themselves by name, if provided for;
7. the terms and procedure for issuing buyback shares, if provided for;
8. the manner of distribution of earnings;
9. the manner of convening the General Meeting;
10. other terms with respect to the incorporation, existence and dissolution of the company.

Contributions

Article 166

(1) (Amended, SG No. 84/2000) The monetary contributions shall be transferred to a fund-raising bank account opened by the management board or by the board of directors, respectively, in the company's name, with an indication of the name of the contributor, and any such contributions may be disbursed only with the unanimous decision of this body.
(2) The provisions of Articles 72 and 73 shall be applied accordingly to the contributions in kind.
(3) (New, SG No. 84/2000) If, within three months, the management board or, respectively, the board of directors, does not certify to the bank that the company has applied for recording, the contributors may withdraw the full amount of their contributions. The members of the respective board shall be jointly liable for the repayment of the deposited sums.

Interim certificate

Article 167

(1) (Amended, SG No. 84/2000) For the property contributions made against subscribed shares, the shareholders shall receive interim certificates signed by an authorised member of the management board or of the board of directors, respectively.
(2) The shareholders shall receive their shares upon presentation of the interim certificates.

Incorporation meeting

Article 168

(Repealed, SG No. 84/2000).

Subscription

Article 169

(Amended, SG No. 58/2003)
A joint-stock company may be incorporated by subscription to raise capital only if a law specifically provides for the conditions and procedure to do so.

Tasks before the incorporation meeting

Article 170

(Repealed, SG No. 84/2000).

Incorporation of a company with subscribed capital

Article 171

(Repealed, SG No. 84/2000).

Content of the Articles of Association

Article 172
(Supplemented, SG No. 124/1997, repealed, SG No. 84/2000).
Liability of the founders

Article 173
(Repealed, SG No. 84/2000).
Requirements for the recording of the company

Article 174
(1) The recording of the joint-stock company in the Commercial Register shall require:
1. the Articles of Association to be adopted;
2. the capital to be fully paid in;
3. (amended, SG No. 84/2000) the part of the value of each share, as provided for in the Articles of Association, but not less than 25 percent of the face value or of the issue price of each share, as provided for in the Articles of Association, to be paid in;
4. (supplemented, SG No. 58/2003) the board of directors or, respectively, a supervisory and management board to be elected;
5. the other requirements of the law to be met.
(2) (Amended, SG No. 84/2000, supplemented, SG No. 58/2003, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The details under Article 165, Items 1 - 4, Item 5 (only the type and the value of the contribution in kind) and Item 10, as well as the names of the members of the board of directors, or, respectively, the supervisory and management board, shall be recorded in the Commercial Register. The minutes of the incorporation meeting and a list of the persons, who have subscribed to shares upon the incorporation, certified by the management board or by the board of directors, shall be attached to the application for recording. When the shares are acquired by a single person after the incorporation of the company, the name or, respectively, the business name and the unified identification code of the shareholder shall be recorded in the Commercial Register.
(3) (New, SG No. 114/1999, amended, SG No. 39/2005) For the recording in the Commercial Register of banking and insurance, stock exchange, investment intermediary, investment company, management company and any other business, for which a separate law requires authorisation from a governmental authority, the respective licence or authorisation has to be presented.
(4) (New, SG No. 84/2000, supplemented, SG No. 34/2011, effective 3.05.2011) The Articles of Association shall be presented to the Commercial Register and announced. Upon any amendment or supplement to the Articles of Association, a copy of the Articles of Association, as amended at the respective date, certified by the person or persons representing the company, shall be submitted to the Commercial Register for announcing.

Section III
Shares

Face value of the shares. Denominations

Article 175
(1) The share is a security, certifying that its holder participates in the capital stock with the face value indicated on the share.
(2) The joint-stock company may not issue shares of a different face value.
(3) The shares may be issued in denominations of 1, 5, 10 and multiples of 10 shares.

Issue price

Article 176

(1) The issue price shall be the price, at which the shares are acquired by the founders or, respectively, the subscribers in case the capital is raised through subscription.
(2) The issue price shall not be lower than the face value. Shares may also be subscribed at a price higher than the face value.
(3) The difference between the face value and the issue price shall be set aside for the company's Reserve Fund.

Indivisibility

Article 177

The shares are indivisible. Where the share belongs to several persons, they shall exercise their rights in it jointly by appointing a proxy.

Types of shares

Article 178

(1) (Amended, SG No. 88/2018, effective 23.10.2018) The shares shall be registered shares. Preference shares may also be issued.
(2) (New, SG No. 84/2000) The joint-stock company may also issue dematerialised shares. The issuance and disposal of dematerialised shares shall follow a procedure established by a law.
(3) (Renumbered from Paragraph 2, SG No. 84/2000, repealed, SG No. 88/2018, effective 23.10.2018).
(4) (Renumbered from Paragraph 3, SG No. 84/2000) When the bearer shares are handed over before payment of the full issue price, the amount of the instalments shall be indicated on them.

Shareholders' register

Article 179

(Amended, SG No. 101/2010)
(1) The joint-stock company shall keep a shareholders' register in which the names and addresses, personal numbers/personal numbers of non-resident persons or unified identification codes of the holders of registered shares shall be recorded and the type, face value and issue price, quantity and serial numbers of the shares shall be indicated. The same requirement shall apply to the interim certificates.
(2) The person or the persons, representing the joint-stock company, shall ensure recording in the shareholders' register of the circumstances under Paragraph 1 and any changes therein not later than 7 days after submission of the documents in accordance with the provisions of law and the Articles of Association.

Article 180

(Amended, SG No. 84/2000, repealed, SG No. 88/2018, effective 23.10.2018).

Shareholder's rights

Article 181

(1) The share entitles its holder to one vote in the Shareholders' General Meeting, to a dividend and to a liquidation share, commensurate to the face value of the share.
(2) When the company issues shares with special rights, this must be indicated and provided for in the Articles of Association.
(3) (Supplemented, SG No. 84/2000) The shares with equal rights shall form a separate class. No restriction of the rights of individual shareholders of the same class shall be allowed.

Preference shares

Article 182

(1) (Supplemented, SG No. 103/1993) The preference shares may provide a guaranteed or additional dividend or share of the corporate property upon liquidation, as well as other rights provided for herein or in the Articles of Association. It may be provided for in the Articles of Association that the preference shares shall be non-voting, which must be indicated on the respective share as well.

(2) Non-voting preference shares shall be included in the face value of the capital.

(3) (New, SG No. 63/1995) No more than 1/2 of the shares may be non-voting.

(4) (Renumbered from Paragraph 3, SG No. 63/1995) When a dividend due under a non-voting preference share is not paid in the course of 1 year and the outstanding payment is not made during the following year, together with the dividend due for that following year, the preference share shall acquire voting power until all outstanding dividends are paid. In this case, the preference shares shall be counted in determining the required quorum and majority.

(5) (Renumbered from Paragraph 4, SG No. 63/1995) In order to adopt any decisions, restricting the benefits of the non-voting preference shares, it shall be necessary to obtain the consent of the preference shareholders, which shall convene at a separate meeting. The meeting may conduct business if at least 50 percent of the preferred shares are represented. The decision shall be adopted by a majority of at least 3/4 of the shares represented. The preferred shares shall acquire voting power upon the lapse of the privileges.

Contents of the share

Article 183

(1) The share shall contain:

1. the designation "share" for a denomination of one or "shares" for larger denominations, preceded by the respective number thereof;
2. the type of the shares;
3. the number of the denomination and the serial numbers of the shares included therein;
4. the business name and the registered office of the joint-stock company;
5. the amount of the capital;
6. the total number of shares, their individual face value and the denomination structure;
7. the coupons and their maturity;
8. the signatures of two persons having authority to bind the company, and the date of issue.

(2) (New, SG No. 63/1995) A printed signature on the share shall also be considered valid signature.

(3) (Renumbered from Paragraph 2, SG No. 63/1995) The name of the first holder shall be entered on the face of a registered share.

Coupons

Article 184

(1) Unless otherwise provided for in the Articles of Association, the shares shall be issued with dividend coupons for 20 years.

(2) The coupons may not be transferred separately from the shares.

(3) The coupon shall contain the designation "coupon", the business name of the joint-stock company, the number of the coupon, the share, the denomination and the year for which dividend is payable thereon.

Disposal with shares

(Heading amended, SG No. 58/2003)

Article 185

(1) (Supplemented, SG No. 58/2003, repealed, SG No. 88/2018, effective 23.10.2018).
(2) Registered shares shall be transferred by endorsement and the transfer must be recorded in the registered shareholders' register to have effect vis-a-vis the company. The Articles of Association may provide for other conditions for the transfer of registered shares.
(3) (New, SG No. 58/2003, amended, SG No. 101/2010) Registered shares shall be pledged by endorsement with a qualification "as a guarantee," "as a pledge," or another phrase meaning security. The pledge shall have effect vis-a-vis the company as of its recording in the registered shareholders' register. The voting power under pledged shares shall be exercised by the shareholder, unless the pledge agreement provides for otherwise. Article 473 shall not apply in such cases.
(4) (New, SG No. 101/2010) Within 7 days after the endorsement, the successor or, respectively, the pledge creditor, shall notify the company and shall file an application for the recording of the transfer or pledge, respectively, in the shareholders' register.

Liability of the transferor of registered shares

Article 186

The transferor of registered shares, which are not fully paid in or which create other payables to the company, shall be jointly liable with the successor. The transferor's liability shall lapse 2 years after the date of recording the transfer in the shareholders' register.

Transfer of interim certificates

Article 187

(1) The interim certificate may not be transferred prior to the incorporation of the company.
(2) The interim certificate shall be transferred under the procedure of Article 185, Paragraph 2.
(3) (New, SG No. 104/2007, effective 1.07.1991) The transfer of an interim certificate shall have the effect of a transfer of the shares it certifies.

Acquisition of own shares

Article 187a

(New, SG No. 63/1995, amended, SG No. 70/1998, SG No. 114/1999, repealed, new, SG No. 84/2000) (1) The company may acquire its own shares only:
1. upon reduction of the capital under Article 200, Item 2;
2. (amended, SG No. 66/2005) upon universal succession, except upon transformation;
3. if the acquisition is gratuitous;
4. if its business involves security transactions and the company acquires the shares executing an order by a third party;
5. upon dismissal of a shareholder under Article 189, Paragraphs 2 and 3;
6. as a result of an enforced collection of a shareholder's payable to the company;
7. if the shares have been issued as preference shares with this specific preference;
8. upon buyback.
(2) (Amended, SG No. 66/2005) In the cases under Paragraph 1, Items 3, 4, 6, 7 and 8, the shares must be fully paid in.
(3) The company shall discontinue the exercise of any rights under own shares until the shares are transferred.

(4) (Amended, SG No. 66/2005) The total face value of the own shares acquired under Paragraph 1, except those acquired under Item 1, may not exceed 10 percent of the capital. The company shall transfer within three years any and all own shares held in excess of this value.
(5) If the shares acquired in the cases under Paragraph 1, Items 2 - 8, are not transferred within the time limit under in Paragraph 4, they shall be invalidated and Article 200, Paragraph 2 shall apply.
(6) (Amended, SG No. 58/2003) Own shares shall not be included in the net worth of the company under Article 247a, Paragraph 2.

Share buyback

Article 187b

(New, SG No. 63/1995, amended, SG No. 114/1999, repealed, new, SG No. 84/2000)
(1) The company may buy back its own shares based on a decision by the Shareholders' General Meeting, which shall state:
1. the maximum number of shares to be bought back;
2. (amended, SG No. 104/2007) the terms and procedure, under which the board of directors or the management board shall proceed with the buyback within a specified time limit not longer than five years;
3. the minimum and maximum buyback price.
(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The decision under Paragraph 1 shall be adopted by a majority of the represented capital, and if the buyback is not expressly provided for in the Articles of Association, by a majority of two-thirds of the represented shares. The decision shall be recorded in the Commercial Register.
(3) (Supplemented, SG No. 66/2005) Article 247a, Paragraphs 1 and 2 shall be applied accordingly to the buyback. The total face value of the bought back shares and those under Article 187a, Paragraph 4 may not exceed 10 percent of the capital. Article 187d shall apply to any shares bought back in excess of this amount.
(4) (New, SG No. 66/2005) The management board or, respectively, the board of directors, shall proceed with the buyback in compliance with the requirements of Paragraphs 1 - 3.

Shares with a buyback preference

Article 187c

(New, SG No. 84/2000)
(1) The Articles of Association may provide for the issue of shares subject to a buyback under terms and procedure set forth therein.
(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The company shall submit the buyback proposal to the Commercial Register, which shall be announced.
(3) Only funds, allocated under Article 247a, Paragraphs 1, 2 and 3, may be used for the buyback.
(4) The company shall create a reserve fund in the amount of the face value of all the shares bought back under Paragraph 1. This reserve fund may be distributed among the shareholders only upon reduction of the capital by the shares bought back, or may be used for an increase of the capital.

Inadmissible acquisition of own shares

Article 187d

(New, SG No. 84/2000)

If a company has acquired own shares in violation of Articles 187a to 187c, such shares must be transferred within one year after their acquisition. Otherwise, the shares shall be invalidated and Article 200, Item 2 shall apply.

Disclosure of information

Article 187e

(New, SG No. 84/2000, amended, SG No. 66/2005, SG No. 105/2006)

The annual report of the company shall contain:

1. the number and face value of any own shares acquired or transferred during the year; the portion of the capital, which they represent, as well as the price, at which they have been acquired or transferred;
2. the grounds for the acquisitions made during the year;
3. the number and the face value of all own shares held and the portion of the capital, which they represent.

Cases equivalent to acquisition of own shares

Article 187f

(New, SG No. 84/2000)

The rules of Articles 187a to 187e shall also apply when:

1. shares of the company are acquired and owned by a person at the expense of the company;
2. shares of the company are acquired and owned by another company, in which the first company holds, directly or indirectly, a majority of the voting power, or over which it can, directly or indirectly, exercise control;
3. the company accepts own shares or shares of a company under Item 2 as a pledge.

(2) (Amended, SG No. 66/2005) Where the company has subscribed to own shares upon its incorporation or increase of the capital, such shares must be transferred immediately. Otherwise, the shares shall be invalidated and Article 200, Item 2 shall apply. Article 187a, Paragraph 3 and Article 187e shall apply to such shares.

(3) (Supplemented, SG No. 66/2005, amended, SG No. 59/2006) A company may not provide any loans or security for any acquisition of its own shares by a third party. This restriction shall not apply to any transactions concluded by banks or financial institutions over the course of their usual business, if thereupon the net worth continues to meet the requirements of Article 247a, Paragraphs 1 and 2.

Section IV
Contributions

Obligation to make contributions

Article 188

(1) (Supplemented, SG No. 84/2000) Against their subscribed shares, the shareholders shall make contributions, covering the portion of the value of the shares, as set forth in the Articles of Association. The remaining portion shall be paid in within a time limit, set forth in the Articles of Association, but not later than two years after the company or, respectively, the increase of the capital is recorded.

(2) The partial contributions may be made by individual shareholders in different proportions, if expressly provided for in the Articles of Association.

Consequences of delayed contributions

Article 189

(1) The shareholders, failing to make their contributions within the specified time limit, shall owe interest, unless a late charge is provided for in the Articles of Association. In case of a delayed contribution in kind, actual damages may be sought.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Any shareholders, failing to make their overdue contributions upon receiving a 1-month written notice, shall be considered dismissed. The notice must be announced in the Commercial Register, unless the transfer of the shares requires consent of the company.

(3) The dismissed shareholder shall forfeit their shares and any contributions made. The shares of the dismissed shareholder shall be invalidated and destroyed. The company shall make available for sale new shares to replace the invalidated shares. Any contributions made by the dismissed shareholder shall be transferred to the company's Reserve Fund.

Interest

Article 190

(1) The shareholders may not collect any interest on their contributions, except in the cases provided for in the Articles of Association.

(2) (Amended, SG No. 84/2000) When the shareholders have made partial contributions in different proportions, interest shall be due on the excess, if provided for in the Articles of Association. Such interest shall be paid from the earnings before dividends in accordance with Article 247a, regardless of the decision of the Shareholders' General Meeting on the distribution of earnings.

(3) Any benefit from the contributions made prior to the incorporation shall be to the company, unless otherwise arranged in the Articles of Association.

Security

Article 191

The Articles of Association may provide for a security to be provided by the shareholders for their outstanding portions.

Section V
Increase of the capital

Prerequisites

Article 192

(1) The capital may be increased by issuing new shares, by increasing the face value of shares already issued, or by converting bonds into shares pursuant to Article 215.

(2) The decision of the Shareholders' General Meeting to increase the capital shall be adopted by a 2/3 majority of the votes of the shares represented at the meeting. The Articles of Association may provide for a larger majority, as well as for additional conditions.

(3) (Amended, SG No. 84/2000) In case of shares from different classes, the decision shall be adopted by the shareholders of each class.

(4) If the new shares are to sold at a price above their face value, the minimum sale price shall be specified in the decision of the General Meeting.

(5) The increase of the capital shall be admissible only after the amount set forth in the Articles of Association has been fully paid in.

(6) (New, SG No. 84/2000, supplemented, SG No. 66/2005) If the capital is increased in violation of Article 161, Paragraph 4, the members of the management board or, respectively, of the board of

directors, shall be jointly liable for the contributions to the subscribed own shares. If any person subscribes to shares on their own behalf and at the expense of the company, such shares shall be considered acquired entirely at the expense of that person.
(7) (New, SG No. 63/1995, renumbered from Paragraph 6 and supplemented, SG No. 84/2000) For the increase of the capital, Chapter Fourteen, Section II shall apply, while any increase of the capital through subscription shall proceed under terms and procedure established by law.
(8) (New, SG No. 114/1999, renumbered from Paragraph 7, SG No. 84/2000, amended, SG No. 64/2020, effective 21.08.2020) For the recording of the increase of the capital through subscription, an approval of a prospectus shall be submitted, unless no prospectus is required by the law.
Requirements for the recording of the increase of the capital

Article 192a
(New, SG No. 84/2000)
(1) The recording of the increase of the capital in the Commercial Register shall require:
1. the new shares to be subscribed;
2. at least 25 percent of the face value of the subscribed new shares to be paid in;
3. the difference between the face value and the issue price of the new shares to be paid in.
(2) When the new shares are not fully subscribed, the capital shall be increased only by the amount of the subscribed shares, if such option is admissible in the decision of the General Meeting on the increase.
(3) A list of the persons, subscribing to the new shares, certified by the management board or, respectively, by the board of directors, shall be submitted to the Commercial Register.
Increase of the capital by contributions in kind

Article 193
(1) (Previous t ext of Article 193, SG No. 66/2005) When the capital is increased by contributions in kind, the decision of the General Meeting shall specify the subject of each contribution, the contributor and the face value of the shares provided against the contribution.
(2) (New, SG No. 66/2005, amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The experts' conclusion under Article 72, Paragraph 2 shall be part of the material under Article 224 and shall be submitted to the Commercial Register for announcement together with the decision on the increase of the capital.
Shareholders' prerogatives upon issuing new shares
(Heading amended, SG No. 66/2005)

Article 194
(1) (Amended, SG No. 84/2000) Each shareholder may acquire part of the new shares in proportion to their share of the capital prior to the increase.
(2) (Amended, SG No. 84/2000) For shares of different classes, the right under Paragraph 1 shall apply to the shareholders of the respective class. The rest of the shareholders shall exercise their prerogative after the shareholders of the class, in which the new shares are issued.
(3) (New, SG No. 84/2000, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The right of the shareholders under Paragraphs 1 and 2 shall lapse after a time limit set by the General Meeting, which may not be less than one month after the date of announcement in the Commercial Register of the notice to subscribe to shares. The notice to subscribe to new shares shall be announced in the Commercial Register together with the decision on the increase of the capital.

(4) (New, SG No. 84/2000, supplemented, SG No. 66/2005, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The shareholders' right under Paragraphs 1 and 2 may be restricted or forfeited only upon decision by the General Meeting, adopted by a majority of two-thirds of the votes of the shares represented. The management board or, respectively, the board of directors, shall submit a report on the grounds for the restriction or forfeiture of the prerogatives and shall justify the issue price of the new shares. The decision of the General Meeting shall be submitted to the Commercial Register for announcement.

Conditional increase of the capital

Article 195

The capital may be increased on the condition that the shares will be bought by certain persons at a certain price, as well as against bonds issued by the company.

Increase of the capital by the management board (board of directors)

(Heading amended, SG No. 84/2000)

Article 196

(1) (Previous text of Article 196, amended and supplemented, SG No. 84/2000) The Articles of Association may empower the management board or, respectively, the board of directors, to increase the capital up to a certain nominal amount within 5 years after the incorporation of the company, by issuing new shares. A decision to this effect may also be adopted by amending the Articles of Association, in compliance with the requirement of Article 192, Paragraph 3, for a period not exceeding 5 years after the date of registration of the amendment.

(2) (New, SG No. 84/2000) Article 194, Paragraphs 1 and 2 shall apply upon any increase of the capital under Paragraph 1.

(3) (New, SG No. 84/2000, amended, SG No. 66/2005) The management board or, respectively, the board of directors, may preclude or restrict the shareholders' right under Article 194, Paragraph 1, only if it is empowered thereto by a decision of the General Meeting, adopted by a majority of 2/3 of the votes of the represented shares. The empowerment may not be granted for a period longer than the period under Paragraph 1. In such a case, the capital may be increased also under the procedure of Articles 193 and 195.

Company-financed increase of the capital

Article 197

(1) The General Meeting may decide to increase the capital by partial capitalisation of earnings. The decision shall be adopted within 3 months after the approval of the annual financial statement for the previous year, with a majority of 3/4 of the votes of the shares represented at the meeting.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The balance sheet shall be submitted and it shall be indicated that the increase is company-financed at the recording of the decision on the increase.

(3) (Supplemented, SG No. 84/2000) The new shares shall be allocated among the shareholders, including the company, if it holds own shares, commensurate to their shares of the capital before the increase. Any decision of the General Meeting in conflict with the foregoing sentence shall be null and void.

Receipt of the shares

Article 198

(1) After the recording of the increase of the capital under the foregoing Article, the managing board or, respectively, the board of directors must immediately notify the shareholders to receive their shares.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006, repealed, SG No. 88/2018, effective 23.10.2018).

Section VI
Reduction of the capital

Ordinary reduction

Article 199

(1) The capital shall be reduced by decision of the General Meeting.
(2) (Amended, SG No. 84/2000) If there are several classes of shares, decisions of each class of shareholders shall be necessary to reduce the capital.
(3) The decision shall contain the purpose and method of the reduction.

Methods of reduction

Article 200

The capital may be reduced:
1. by reduction of the face value of shares;
2. by invalidation of shares.

Reduction of the capital by invalidation of shares

Article 201

(1) Share invalidations may be enforced or following share acquisitions by the company.
(2) (Supplemented, SG No. 84/2000) Enforced share invalidation shall be admissible, if provided for in the Articles of Association and if the shares were subscribed under that condition.
(3) The prerequisites for the enforced invalidation and the method thereof shall be set forth in the Articles of Association.

Protection of the creditors

Article 202

(Amended, SG No. 84/2002)
(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The rules of Articles 150 - 153 shall be applied accordingly to any creditors, whose receivables have arisen prior to the announcement of the decision on the reduction of the capital in the Commercial Register.
(2) The rule of Paragraph 1 shall not apply, when the capital is reduced for the purpose of covering losses. In this case, the shareholders shall not be released of their obligation to make contributions.
(3) The rule of Paragraph 1 shall not apply, when the capital is reduced using own shares, which are fully paid in and are acquired gratuitously or with funds under Article 247a, Paragraphs 1 - 3. In such cases, Article 187c, Paragraph 4 shall be applied accordingly.

Simultaneous reduction and increase of the capital

(Heading new, SG No. 83/1996, amended, SG No. 84/2000)

Article 203

(Amended, SG No. 83/1996, SG No. 84/2000) (1) The capital of the company may be simultaneously reduced and increased, whereupon the reduction will have effect only upon the intended increase of the capital.
(2) In the cases under Paragraph 1, the capital may be reduced to a level below the minimum established by law, if at least this minimum is achieved with the increase of the capital.

(3) The rule of Article 202, Paragraph 1 shall not apply, if, as a result of the increase, the amount of the capital before its change is achieved or exceeded.

Section VII
Bonds

Procedure for issuing bonds

Article 204

(1) (Amended, SG No. 114/1999, SG No. 58/2003, SG No. 62/2017) Bonds may only be issued by a joint-stock company.
(2) (Amended, SG No. 114/1999, repealed, SG No. 62/2017).
(3) (Amended and supplemented, SG No. 61/2002) Decisions to issue bonds may be adopted by the Shareholders' General Meeting, which may duly authorise the board of directors or the management board, respectively, under the procedure of Article 196.
(4) Bonds of the same issue and the same face value shall entitle the bondholder to the same receivable.
(5) (New, SG No. 63/1995, supplemented, SG No. 61/2002) Bonds may be physical and dematerialised. The rules, applicable to shares, established hereby, with the exception of Article 176, Paragraph 2 and Article 184, Paragraph 2, shall apply to the issue, transfer and pledging of physical and dematerialised bonds.

Requirements and procedure for the bond issues

Article 205

(Amended, SG No. 63/1995, SG No. 61/2002) (1) (Amended and supplemented, SG No. 64/2020, effective 21.08.2020) The bonds issue by public offering, for which there is an obligation to publish a prospectus under Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published in the case of a public offering or admission of securities securities to trading on a regulated market, and for the repeal of Directive 2003/71/EC (OB, L 168/12 of 30 June 2017), shall be carried out under conditions and in accordance with the procedure established by law.
(2) For any bond issues, other than those referred to in Paragraph 1, the company shall prepare an bond subscription offer, containing, at least:
1. the decision under Article 204, Paragraph 3;
2. (Repealed, SG No. 58/2003);
3. the total face value and the issue price of the bond loan;
4. number, type, face value and issue price of the bonds offered, as well as any transfer restrictions provided for;
5. for interest-bearing bonds - the maturity of the bonds, the bond loan's amortisation schedule, including any grace period, interest payments, the method of their accrual and the payment period;
6. for bonds with other yield types - the method of generating the yield and the payment maturities;
7. the type and amount of the furnished security, if any;
8. the method and time limits for the interest and principal payments;
9. the start and end dates, as well as the place and procedure for the bond subscription;
10. the bond subscription terms;
11. the minimum and maximum amount of the monetary contributions, whereupon the loan shall be considered raised.
(3) The bonds shall be issued only upon full payment of the issue price.

(4) (Amended, SG No. 64/2020, effective 21.08.2020) The decision under Article 204, Paragraph 3 for issue of public bond under Paragraph 2, may contain a provision to apply the respective provisions of the law regarding the bondholders' agent and the security in public bond issue.

Subscription procedure

(Heading amended, SG No. 61/2002)

Article 206

(1) (Amended, SG No. 61/2002, supplemented, SG No. 64/2020, effective 21.08.2020) The raising of moneys and the delivery of the bonds issued under the procedure of Article 205 (2) shall be performed by a bank or an investment intermediary.

(2) (Amended, SG No. 61/2002) Bond subscribers shall deposit the respective amounts to a fund-raising account in a bank, indicated by the company. No amounts in this account may be utilised prior to the announcement under Paragraph 6.

(3) (Amended, SG No. 61/2002) The decision under Article 204, Paragraph 3 shall set forth the conditions, whereupon the loan shall be considered raised. The issue price of all subscribed bonds shall be fully paid in.

(4) (Amended, SG No. 61/2002) Within 14 days after the close of subscription, the company shall execute an agreement with a bank, establishing the terms and procedure of servicing the payments under the bond loan.

(5) (Amended, SG No. 61/2002) If the time limit under Article 205, Paragraph 2, Item 9 expires and the conditions to raise loan are not met, any and all amounts raised shall be reimbursed to the bond subscribers with the interest assessed thereon by the bank, where these amounts have been deposited.

(6) (New, SG No. 61/2002, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Within one month after the end date of the bond subscription under Article 205, Paragraph 2, Item 9, the management body of the company shall submit a notice on the raised bond loan to the Commercial Register for announcement, which shall indicate:

1. the amount of the loan;
2. the date, on which the term to maturity begins;
3. the maturity date for interest and principal payments;
4. the bank under Paragraph 4 servicing the payments under the bond loan;
5. the place, date, time and agenda of the first Bondholders' General Meeting.

(7) (New, SG No. 61/2002, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The date to hold the first Bondholders' General Meeting may not be later than 30 days after the announcement under Paragraph 6. The place to hold the meeting may not be different than the company's registered office.

(8) (New, SG No. 61/2002) The company shall immediately notify the bondholders' agents under Article 209 and the bank servicing payments under the bond loan on any changes to the company's business, that are relevant to the company's obligations under the bonds issued.

Invalid decision to issue bonds

Article 207

(Amended, SG No. 61/2002) Any of the following decisions of the company shall be invalid:

1. on a change in the terms under which issued bonds have been subscribed;
2. on issuing new bonds under preferential payment terms without the consent of previous outstanding issues' Bondholders' General Meetings.

First bondholders' general meeting

(Heading new, SG No. 103/1993)

Article 208

(Amended, SG No. 61/2002, supplemented, SG No. 62/2017)

The first Bondholders' General Meeting shall be legitimate, if at least 1/2 of the subscribed loan is represented.

Representation of bondholders

Article 209

(1) The bondholders of the same issue shall form a group for the protection of their interests before the company.

(2) The group shall be represented by agents, elected by the Bondholders' General Meeting. These agents may not be more than three.

Limitations on representation

Article 210

(1) The following may not be agents under the foregoing Article:

1. the debtor company;
2. (amended, SG No. 61/2002) parties related to the debtor company;
3. companies, which have guaranteed, in part or in full, the liabilities assumed;
4. members of the supervisory board, of the management board or of the board of directors of the company, as well as any descendants, ascendants and spouses thereof;
5. persons, who are prohibited by law from serving on the company's management bodies.

(2) The agents may be relieved of their duties by decision of the Bondholders' General Meeting.

Powers of the agents

Article 211

The agents may take actions to protect bondholders' interests pursuant to the decisions of the Bondholders' General Meeting.

Participation of the agents in the Shareholders' General Meeting

Article 212

(1) The bondholders' agents may participate in the Shareholders' General Meeting in a non-voting capacity. They may obtain information under the same terms as the shareholders.

(2) When decisions, affecting the performance of the obligations under the bond loan are being adopted, the Shareholders' General Meeting shall hear the position of the bondholders' agents.

Remuneration of the agents

Article 213

(1) The remuneration of the bondholders' agents shall be set by the company and shall be at the company's expense. When the company fails to set the remuneration, it shall be set by the Bondholders' General Meeting.

(2) If the company objects to the amount of the remuneration set in this manner, the remuneration shall be set by the district court upon request by the agents.

Bondholders' General Meeting

Article 214

(1) (Supplemented, SG No. 61/2002, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The Bondholders' General Meeting shall be convened by the bondholders' agents by a notice, announced in the Commercial Register at least 10 days prior to the meeting.

(2) (Amended, SG No. 61/2002) The General Meeting may also be convened upon requisition by the bondholders, representing at least 1/10 of the respective bond issue, or by the liquidators of the company, if liquidation proceedings have been initiated.
(3) The bondholders' agents shall convene the Bondholders' General Meeting upon being notified by the management bodies of joint-stock company on:
1. a proposal to change the company's business, type, or transform the company;
2. (amended, SG No. 61/2002) a proposal to issue new preference bonds.
(4) Each bond issue shall constitute a separate general meeting.
(5) The rules applicable to the Shareholders' General Meeting shall be applied accordingly to the Bondholders' General Meeting.
(6) (New, SG No. 62/2017) The bondholders shall exercise the right to vote with dematerialised bonds, provided that they hold bonds 5 days prior to the Bondholders' General Meeting.
(7) (Renumbered from Paragraph 6, SG No. 62/2017) The Shareholders' General Meeting shall consider the decision of the Bondholders' General Meeting.

Quorum

Article 214a
(New, SG No. 25/2022, effective 8.07.2022)
(1) The Bond-Holders' General Meeting may act if at least half of the amount of the bond issue is represented thereat, but the conditions of the issue may provide for a larger quorum.
(2) In the absence of a quorum, the provision of Article 227 (3) shall apply, mutatis mutandis.
(3) The bonds called by the company which issued the bond issue shall be ignored in determining the quorum.

Majority

Article 214b
(New, SG No. 25/2022, effective 8.07.2022)
(1) The Bond-Holders' General Meeting shall pass resolutions by a majority of the bonds represented thereat unless another, larger majority is provided for in the conditions of the issue.
(2) The bonds called by the company which issued the bond issue shall be ignored in determining the majority whereby the Bond-Holders' General Meeting passes resolutions.

Section VIII
Conversion of bonds into shares

Decision to convert bonds into shares

Article 215
(1) The General Meeting may decide to issue convertible bonds. This type of bonds may not be issued by companies, in which the government holds more than 50 percent of the capital. The shareholders may subscribe preferentially to such bonds, under the terms applicable for subscriptions to new share issues.
(2) The procedure to convert bonds into shares shall be specified in the General Meeting's decision on the bond issue.
(3) The Shareholders' General Meeting may specify the terms, under which holders of bonds, which are not redeemable by conversion into shares, may convert them into shares.

(4) The issue price of the convertible bonds may not be lower than the face value of the shares, which the bondholders would acquire against those bonds.
(5) Upon reduction of the capital because of losses through a reduction of the number of shares or of the face value thereof, the rights of the bondholders to convert bonds into shares shall be commensurately reduced.
Terms of validity of the decision to issue new bonds

Article 216
The decision to issue new convertible bonds shall be valid only if it has been approved by the convertible Bondholders' General Meeting.
Conversion upon increase of the capital

Article 217
Upon adoption of a decision to increase the capital, the management board or the board of directors, respectively, shall specify a time limit to convert the bonds into shares. This time limit may not be longer than 3 months.
Recording of the increased capital

Article 218
(Amended, SG No. 61/2002)
The management board or the board of directors, respectively, shall apply for recording of the increase of the capital as a result of the conversion of bonds into shares.

Section IX
Joint-stock company bodies

Types of bodies

Article 219
(1) (Previous text of Article 219, SG No. 84/2000) Joint-stock company bodies shall be:
1. the Shareholders' General Meeting;
2. the board of directors (one-tier system) or the supervisory board and the management board (two-tier system).
(2) (New, SG No. 84/2000) In a single-shareholder joint-stock company, the sole owner of the capital shall decide on issues within the competence of the General Meeting.

Subsection I
Shareholders' General Meeting

Composition of the General Meeting

Article 220
(1) (Supplemented, SG No. 58/2003) The General Meeting shall be comprised of the voting shareholders. A voting shareholder may participate in the General Meeting either in person or by proxy. No member of the board of directors or of the supervisory and management board, respectively, may be proxy for any shareholder.
(2) (Amended, SG No. 58/2003) Shareholders, holding non-voting preference shares, as well as the members of the board of directors or of the supervisory and management board, respectively, when

such members are not shareholders, shall participate in the General Meeting's business in a non-voting capacity.
(3) (New, SG No. 58/2003) When a company has more than 50 employees, they shall be represented in the General Meeting by one person in an advisory capacity. Their representative shall have the rights under Article 224.
Competence

Article 221
The General Meeting shall:
1. amend and supplement the Articles of Association;
2. increase or reduce the capital;
3. transform and dissolve the company;
4. (amended, SG No. 58/2003) elect and dismiss the members of the board of directors or of the supervisory board, respectively;
5. (new, SG No. 58/2003) set the remuneration of the non-managing members of the supervisory board or of the board of directors, respectively, including their right to receive part of the company's earnings, as well as to acquire company shares and bonds;
6. (renumbered from Item 5, SG No. 58/2003, amended, SG No. 67/2008, supplemented, SG No. 95/2015, effective 1.01.2016) appoint and dismiss registered auditors, when audit is required in the cases provided for by law or a decision for an independent financial audit is adopted;
7. (renumbered from Item 6, supplemented, SG No. 58/2003, amended, SG No. 67/2008, supplemented, SG No. 95/2015, effective 1.01.2016) approve the annual financial statement, certified by the appointed registered auditor, when an independent financial audit has been conducted, adopt decision on the distribution of earnings, replenishment of the Reserve Fund and payment of dividend;
8. (renumbered from Item 7, SG No. 58/2003) decide to issue bonds;
9. (renumbered from Item 8, SG No. 58/2003) appoint liquidators upon dissolution of the company, except in the event of bankruptcy;
10. (renumbered from Item 9, SG No. 58/2003) relieve the members of the supervisory board, the management board and of board of directors of their duties;
11. (renumbered from Item 10, SG No. 58/2003) decide any and all other issues within its competence under the law and the Articles of Association.
Holding a General Meeting

Article 222
(1) (Amended and supplemented, SG No. 58/2003) A Shareholders' General Meeting shall be held at least once a year at the company's registered office, unless its Articles of Association provide for another location within the territory of the Republic of Bulgaria.
(2) (New, SG No. 58/2003) The first General Meeting shall be held not later than 18 months after the company is incorporated, and the next ordinary meetings - not later than 6 months after the end of the reporting year.
(3) (New, SG No. 84/2000, renumbered from Paragraph 2, SG No. 58/2003) If the losses exceed one-half of the capital, a General Meeting shall be held not later than three months after establishing the losses.
(4) (Renumbered from Paragraph 2, SG No. 84/2000, renumbered from Paragraph 3, SG No. 58/2003) The General Meeting shall elect a chairman and a secretary of the meeting, unless the Articles of Association provide for otherwise.
Convening

Article 223

(1) (Amended, SG No. 58/2003) The General Meeting shall be convened by the board of directors or, respectively, by the management board. A General Meeting may also be convened by the supervisory board, as well as upon requisition of the shareholders, who have held shares, representing at least 5 percent of the capital, for more than three months.

(2) (Amended, SG No. 33/1999, amended and supplemented, SG No. 58/2003) If, within one month following the requisition of the shareholders, holding at least 5 percent of the capital, under Paragraph 1, the requisition has not been granted or if the General Meeting is not held within 3 months after the requisition is made, the district court shall convene a General Meeting or shall empower the shareholders, requesting the General Meeting to be convened, or a representative thereof, to convene the meeting. The fact that the shares have been held for more than three months shall be established before the court by a notarised declaration.

(3) (Amended, SG No. 100/1997, SG No. 84/2000, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006, SG No. 88/2018, effective 1.06.2019) The General Meeting shall be convened by a notice announced in the Commercial Register. The Articles of Association may provide for convening the General Meeting only by written notices.

(4) As a minimum, the notice shall contain the following details:

1. the company's business name and registered office;
2. the place, date and time of the meeting;
3. the type of the General Meeting;
4. any formalities, if provided for in the Articles of Association, which must be completed to be able to attend, and vote at, the meeting;
5. (amended, SG No. 61/2002) the agenda with the issues to be discussed and specific proposals for decisions.

(5) (Amended, SG No. 100/1997, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The time between the announcement in the Commercial Register and the opening of the General Meeting may not be less than 30 days.

Placing issues on the agenda

Article 223a

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Shareholders, who have held shares, representing at least 5 percent of the company capital, for more than three months, may, after the notice is announced in the Commercial Register or sent, place additional issues on the General Meeting agenda.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Not later than 15 days prior to the opening of the General Meeting, the persons under Paragraph 1 shall submit to the Commercial Register for announcement a list of the issues to be placed on the agenda, together with their respective proposals for decisions. Upon their announcement in the Commercial Register, the issues shall be considered placed on the proposed agenda.

(3) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The fact that the shares have been held for more than three months shall be established by a declaration.

(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Not later than the next business day following the announcement, the shareholders shall submit the list of the issues, the proposals for decisions and the written materials

at the registered office and management address of the company. Article 224 shall also apply accordingly.

Right to information

Article 224

(1) (Previous text of Article 224, amended, SG No. 58/2003, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) All written materials, related to the agenda of the General Meeting, must be made available to the shareholders not later than the date the announcement is made or the notices to convene the General Meeting are sent.

(2) (New, SG No. 58/2003) When the agenda includes the election of members of the board of directors or of the supervisory board, respectively, the materials under Paragraph 1 shall also include details on the names, permanent addresses and professional qualifications of the persons nominated for board membership. This rule shall apply also when the issue has been placed on the agenda under the procedure of Article 223a.

(3) (New, SG No. 58/2003) Upon request, the written materials shall be made available to any shareholder free of charge.

Attendance list

Article 225

A list shall be created of the shareholders or proxies attending the session of the General Meeting and of the respective number of shares owned or represented. The shareholders or proxies shall certify their attendance by signature. The list shall be authenticated by the chairman and the secretary of the General Meeting.

Proxies

Article 226

Each shareholder shall have the right to authorise in writing a person to represent them at the General Meeting.

Quorum

Article 227

(1) (Previous text of Article 227, amended, SG No. 58/2003) The Articles of Association may provide for a quorum of the capital.

(2) (New, SG No. 58/2003) Decisions under Article 221, Items 1 - 3 may be adopted only if at least one-half of the capital is represented at the General Meeting. The Articles of Association may provide for a larger quorum requirement as well.

(3) (New, SG No. 58/2003) In the absence of quorum in the cases under Paragraphs 1 and 2, a new session may be scheduled after at least 14 days, and that session shall be valid regardless of the capital represented. The date of the new session may be indicated in the notice on the first session as well.

Voting

Article 228

(1) Voting power shall be vested upon payment of the contribution, unless otherwise provided for in the Articles of Association.

(2) (Amended, SG No. 58/2003) When the proposed decision affects the rights of a class of shareholders, voting shall proceed by class, with the quorum and majority requirements applied separately to each class.

Conflicts of interest

Article 229

A shareholder may not, either in person or by proxy, vote on:

1. any claims raised against them;
2. any action to enforce their liability to the company.

Majority

Article 230

(1) The decision of the General Meeting shall be adopted by a majority of the shares represented, unless otherwise provided for by the law or the Articles of Association.

(2) (Amended, SG No. 58/2003) Decisions under Article 221, Items 1, 2 and 3 (for dissolution only) shall require a majority of at least 2/3 of the capital represented. The Articles of Association may provide for another, larger majority for these cases.

(3) (New, SG No. 58/2003) When the law or the Articles of Association provide for voting by class, the quorum and majority rules shall apply separately to each class.

Minority

Article 230a

(New, SG No. 84/2000, repealed, SG No. 58/2003).

Decisions

Article 231

(1) (Amended, SG No. 58/2003, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The General Meeting may not adopt any decisions on issues, which have not been announced pursuant to the provisions of Articles 223 and 223a, unless all shareholders are present or are represented at the meeting and no one objects the issues raised to be discussed.

(2) General meeting resolutions shall take effect immediately, unless such effect is deferred.

(3) (Amended, SG No. 100/1997, SG No. 84/2000, SG No. 58/2003) The decisions to amend or supplement the Articles of Association or to dissolve the company shall come into force upon their recording in the Commercial Register.

(4) (New, SG No. 58/2003) Any increase or reduction of the capital, transformation of the company, election or dismissal of board members, as well as appointment of liquidators, shall come into force upon the recording thereof in the Commercial Register.

Minutes

Article 232

(1) The minutes of the session of the General Meeting shall be kept in a special book and shall indicate:

1. the place and the time of the session;
2. the names of the chairman and the secretary, as well as of the vote tellers;
3. the attendance of the management board and of the supervisory board, as well as of persons who are not shareholders;
4. the proposals made on the substance of the debate;
5. the votes taken and the results thereof;
6. the objections made.

(2) The minutes of the General Meeting shall be signed by the chairman, the secretary and the vote tellers.

(3) Attached to the minutes shall be:

1. a list of the attendees;
2. the documents related to the convening of the General Meeting.
(4) (New, SG No. 58/2003, amended, SG No. 59/2007) Upon request by a shareholder or a board member, the General Meeting session may be attended by a notary public to create the record of findings under Article 593 of the Code of Civil Procedure. A copy of the record of findings shall be attached to the minutes of the General Meeting.
(5) (Renumbered from Paragraph 4, SG No. 58/2003) The minutes and the documents attached thereto shall be kept for at least 5 years. They shall be made available to any shareholder upon request.
Decisions of the sole owner

Article 232a
(New, SG No. 84/2000)
A written record shall be created on the decisions of the sole owner of the capital.

Subsection II
Common rules for both management systems

Term of office

Article 233
(1) The members of the board of directors, of the supervisory and of the management board shall be elected for a term of office not exceeding 5 years, unless a shorter term is provided for in the Articles of Association.
(2) The members of the first board of directors or of the first supervisory board, respectively, shall be elected for a term of office not exceeding 3 years.
(3) Board members may be re-elected without restriction.
(4) (New, SG No. 84/2000, supplemented, SG No. 58/2003) The members of the board of directors and of the supervisory board may be dismissed before the expiration of the term for which they have been elected.
(5) (New, SG No. 58/2003, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Any board member may request to be expunged from the Commercial Register by a written notice addressed to the company. Within 6 months after the receipt of such notice, the company must apply for recording of their dismissal in the Commercial Register. If the company fails to do so, the board member concerned may apply themselves for recording of this circumstance, and it shall be recorded regardless of whether another person has been elected to replace them.
Board composition

Article 234
(1) A board member may be any natural person of full capacity to act. If admissible under the Articles of Association, a juridical person may also be a board member. In this case, the juridical person shall designate a representative to perform its duties on the board. The juridical person shall be jointly and unlimitedly liable with the other board members for any liabilities arising from the actions of its representative.
(2) A person may not be a board member, if the person:

1. (amended, SG No. 84/2000) has been a member of a management or supervisory body of a company dissolved on grounds of bankruptcy in the last two years preceding the date of the decision on declaration of bankruptcy, if unsatisfied creditors remain;
2. (repealed, SG No. 84/2000, new, SG No. 15/2013, effective 15.02.2013) has been a managing director, a member of a managing or controlling body of a company, with regard to which non-performance of obligations to establish and maintain the stock levels, prescribed thereto under the Crude Oil and Petroleum Products Stocks Act, has been established by an effective penal order;
3. does not meet other requirements provided for in the Articles of Association.
(3) (New, SG No. 66/2023) The restrictions referred to in Item 1 of Paragraph (2) shall lapse upon the expiry of a five-year period from the dissolution of the corporation through bankruptcy. The lapse of the restrictions shall be declared expressly, indicating the specific circumstances.
(4) (New, SG No. 58/2003, renumbered from Paragraph (3), SG No. 66/2023) Board members shall be recorded in the Commercial Register, where they shall present a notarised consent and a statement certifying that no obstacles under Paragraph 2 exist.

Representative powers

Article 235

(1) The members of the board of directors or of the management board, respectively, shall represent the company collectively, unless otherwise provided for by the Articles of Association.
(2) The board of directors or the management board, respectively, subject to approval by the supervisory board, may empower one or several of its members to represent the company. These powers may be revoked at any time.
(3) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The names of the persons, empowered to represent the company, shall be recorded in the Commercial Register. Upon recording, they shall present notarised signatures.
(4) (Amended, SG No. 84/2000, supplemented, SG No. 34/2011, effective 3.05.2011) Restrictions on the representative powers of the board of directors, the management board or the persons empowered by them under Paragraph 2 shall have no effect vis-a-vis third parties and shall not be subject to recording in the Commercial Register.
(5) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The empowerment and its revocation, upon the recording thereof, shall have effect vis-a-vis bona fide third parties.

Contracts of the sole owner

Article 235a

(New, SG No. 84/2000)
Any contracts between the sole owner of the capital and the company, when it is represented by the sole owner, shall be concluded in writing.

Special rules for conclusion of transactions

Article 236

(Amended and supplemented, SG No. 103/1993, amended, SG No. 58/2003)
(1) The company’s Articles of Association may provide for certain transactions to be concluded upon obtaining the permission of the supervisory board in advance, or upon the unanimous decision of the board of directors, respectively. Such restrictions may be imposed also by the supervisory board or the board of directors, respectively.
(2) The following transactions may be concluded only upon decision of the Shareholders’ General Meeting:

1. transferring or granting the use of the entire commercial enterprise;
2. disposal of assets, the total value of which, in the current year, exceeds one-half of the value of the assets of the company, according to its most recent audited annual financial statement;
3. assuming liabilities or furnishing security to one person or to related parties, the amount of which, in the current year, exceeds one-half of the value of the assets of the company, according to its most recent audited annual financial statement.
(3) The company's Articles of Association may expressly provide for the transactions under Paragraph 2 to be concluded upon decision of the board of directors or the management board, respectively. In such a case, its shall be necessary to obtain the unanimous decision of the board of directors, or the permission of the supervisory board in advance, respectively.
(4) Any transaction concluded in violation of Paragraphs 1 - 3 shall be valid, and the person, who has concluded it, shall be liable to the company for any damages caused.

Rights and obligations

Article 237

(Supplemented, SG No. 84/2000, amended, SG No. 58/2003)
(1) The board members shall have equal rights and obligations, regardless of the internal division of functions among them and any management and representation rights granted to some of them.
(2) The board members shall perform their functions with the care of a prudent businessman and in the interest of the company and all shareholders.
(3) Any person, nominated for board member, shall, prior to their election, notify the Shareholders' General Meeting or the supervisory board, respectively, of their membership in any companies as a general partner, of their holdings exceeding 25 percent of the capital of other companies, as well as of their involvement in the management of other companies or cooperatives as an authorised officer, managing director or board member. When such circumstances arise, after such person has been elected to the board, they shall immediately submit a written notice thereon.
(4) The members of the board of directors and of the management board may not, on their own behalf or on behalf of other persons, conduct commercial transactions, be general partners in companies or authorised officers, managing directors or board members of other companies or cooperatives, the businesses of which compete with the business of company. This restriction shall not apply, if the Articles of Association allow it expressly or when the body, electing the board member, has given its express consent.
(5) The board members shall not disclose any information they have become aware of in that capacity, if that could affect the business and development of the company, including after they are no longer board members. This obligation shall not apply to any information, which, pursuant to a law, shall be available to third parties or has already been disclosed by the company.
(6) Paragraphs 1 - 5 shall apply also to the natural persons, representing juridical persons, which are board members, in accordance with Article 234, Paragraph 1.

Quorum and majority

Article 238

(1) The boards may adopt decisions, if at least one-half of the members thereof are present, whether in person or represented by another member. No member present may represent more than one absent member.
(2) The decisions shall be adopted by a simple majority, unless otherwise provided for by the Articles of Association.
(3) The Articles of Association may provide for the board to adopt decisions in absentia, if all members have declared their consent thereof in writing.

(4) (New, SG No. 58/2003) Not later than the beginning of the session, a board member shall notify its chairman in writing that they, or a party related thereto, has an interest in an issue raised for discussion and will not participate in the decision thereon.

Minutes

Article 239

(Supplemented, SG No. 58/2003)

Minutes shall be kept of all decisions of the management board, the supervisory board and the board of directors, which shall be signed by all present members of the respective board, indicating the vote of each member on the issues discussed.

Liability

Article 240

(1) The members of the supervisory board, the management board and the board of directors shall deposit a guarantee for their management in an amount determined by the General Meeting, but not less than their 3-month gross remuneration. The guarantee may be in the form of deposited shares or bonds of the company.

(2) The board members shall be jointly liable for any damages caused to the company through fault of their own.

(3) Any board member may be discharged of such liability, if it is established that the damages were caused through no fault of their own.

Liability invoked by shareholders

Article 240a

(New, SG No. 58/2003)

Shareholders, holding at least 10 percent of the company's capital, may invoke the liability of members of the board of directors, the supervisory board and the management board, respectively, for damages caused to the company.

Contracts with board members and parties related thereto

Article 240b

(New, SG No. 58/2003)

(1) The board members shall notify in writing the board of directors or the management board, respectively, when they, or any parties related thereto, are concluding any contracts with the company outside its usual business or materially deviating from the prevailing market conditions.

(2) Any contracts under Paragraph 1 shall be concluded based on decision of the board of directors or the management board, respectively.

(3) Any transaction concluded in violation of Paragraph 2 shall be valid, and the person, who has concluded it, if they have been or could have been aware that no such decision exists, shall be liable to the company for any damages caused thereto.

Subsection III
Two-tier system

Managing board

Article 241

(1) The joint-stock company shall be managed by a management board which shall conduct its business under the control of a supervisory board.

(2) The members of the management board shall be appointed by the supervisory board, which shall determine their remuneration and shall have the right to replace them at any moment.
(3) No person may simultaneously be member of the management board and the supervisory board of the company.
(4) (Amended, SG No. 58/2003) The number of the members of the management board may be between 3 and 9 people and shall be set forth in the Articles of Association.
(5) The rules of procedure of the management board shall be approved by the supervisory board.
(6) (New, SG No. 58/2003) The relationships between the company and any member of the management board shall be arranged by a management contract. The contract shall be concluded in writing on behalf of the company through the chairman of the supervisory board or a member authorised by them.

Supervisory board

Article 242

(1) The supervisory board may not be involved in the management of the company. The supervisory board shall represent the company only in its relationships with the management board.
(2) (Amended, SG No. 84/2000) The members of the supervisory board shall be appointed by the General Meeting. Their number may be between three and seven persons.
(3) The supervisory board shall adopt its own rules of procedure and shall appoint a chairman and vice chairman from among its members.
(4) (New, SG No. 58/2003) The supervisory board shall meet for regular sessions at least once every three months.
(5) (Renumbered from Paragraph 4, SG No. 58/2003) The chairman shall convene the sessions of the supervisory board on their own initiative, as well as by requisition of the members of the supervisory board or of members of the management board.
(6) (New, SG No. 58/2003) The relationships between the company and any member of the supervisory board shall be arranged by a contract. The contract shall be concluded on behalf of the company through a person authorised by Shareholders' General Meeting or by the sole owner.

Reporting and supervision

Article 243

(1) (Supplemented, SG No. 58/2003) The management board shall report on its business to the supervisory board at least once every 3 months. The report shall also contain the details under Article 247, Paragraphs 2 and 3.
(2) The management board shall immediately inform the chairman of the supervisory board on any and all occurring circumstances of material significance to the company.
(3) The supervisory board may, at any time, require that the management board submit information or a report on any matter concerning the company.
(4) (Supplemented, SG No. 58/2003) The supervisory board may carry out any investigations required to perform its duties and its members shall have access to all the necessary information and documents. For these purposes, it may employ the services of experts.

Subsection IV
One-tier system

Board of directors

Article 244

(1) (Amended, SG No. 84/2000) The company shall be managed and represented by a board of directors. The board of directors shall consist of not fewer than three and not more than nine persons.
(2) The board of directors shall adopt its own rules of procedure and shall elect a chairman and deputy chairman from among its members.
(3) The board of directors shall meet regularly at least once every 3 months to discuss the company's current state of business and development.
(4) (Amended, SG No. 58/2003) The board of directors shall assign the management of the company to one or several executive members, elected from among its members, and shall determine their remuneration. The executive members shall be fewer than the remaining members of the board.
(5) Each executive member shall immediately report to the chairman of the board any and all occurring circumstances of material significance to the company.
(6) Any board member may request the chairman to convene a meeting to discuss individual matters.
(7) (New, SG No. 58/2003) The relationships between the company and any executive member of the board shall be arranged by a management contract, which shall be concluded in writing on behalf of the company through the chairman of the board of directors. The relationships with the remaining members of the board may be arranged by a contract, which shall be concluded on behalf of the company through a person authorised by the Shareholders' General Meeting or by the sole owner.

Section X
Annual closing and distribution of earnings

Annual closing documents

Article 245

(Amended, SG No. 105/2006, SG No. 67/2008, supplemented, SG No. 95/2015, effective 1.01.2016, amended, SG No. 104/2020, effective 1.01.2021)
Each year, by 30 June, the board of directors or the management board, respectively, shall create an annual financial statement and annual report for the previous calendar year, and shall submit these to the registered auditors elected by the General Meeting, when audit is required in the cases provided for by law or a decision for an independent financial audit is adopted.
Reserve Fund

Article 246

(1) The company shall create a Reserve Fund.
(2) The sources for the Reserve Fund shall be:
1. at least 1/10 of the earnings, which shall be retained until the fund reaches 1/10 or a larger portion the capital, as provided for by the Articles of Association;
2. the proceeds obtained in excess of the face value of the shares and bonds upon their issuing;
3. the sum of any additional payments made by the shareholders against any share preferences provided thereto;
4. other sources provided for by the Articles of Association or by a decision of the General Meeting.
(3) Disbursements from the Reserve Fund may be made only to:
1. cover the annual loss;

2. cover prior-year losses.
(4) When the Reserve Fund exceeds 1/10 or the larger portion of the capital, as provided for by the Articles of Association, the excess amount may be used to increase the capital.
Contents of the annual report

Article 247
(1) (Previous text of Article 247, SG No. 58/2003, SG No. 105/2006) The annual report shall describe the course and the state of the company's business and elaborate on the annual financial statement.
(2) (New, SG No. 58/2003, amended, SG No. 105/2006) The annual report shall indicate:
1. the sum total of remunerations paid out to members of the boards during the year;
2. all shares and bonds of the company, acquired, held and transferred by members of the boards during the year;
3. all rights of members of the boards to acquire shares and bonds in the company;
4. any membership of members of the boards in any companies as general partners, any holdings of over 25 percent of the capital of other companies, as well as their involvement in the management of other companies or cooperatives as authorised officers, managing directors or board members;
5. any contracts under Article 240b concluded during the year.
(3) (New, SG No. 58/2003) The report shall also state the business policy planned for the following year, including any expected investments and personnel development, expected return on investment and company development, as well as any upcoming transactions of material significance to the company's business.
Dividend and interest payments

Article 247a
(New, SG No. 84/2000)
(1) (Amended, SG No. 58/2003) Dividends and interest under Article 190, Paragraph 2 shall be paid out only if the respective annual financial statement, audited and adopted according to Section XI, shows that the net worth, less the dividends and interest payable, is not less than the amount of the company's capital, the Reserve Fund and any other funds the company shall create under the law or the Articles of Association.
(2) (Amended, SG No. 58/2003) Within the meaning of Paragraph 1, the net worth shall be the difference between the company's assets and liabilities, according to its balance sheet.
(3) The payments under Paragraph 1 shall be up to the amount of the earnings for the respective year, the retained earnings from previous years, the part of the Reserve Fund and the other funds of the company in excess of the minimum, set forth by the law or the Articles of Association, less any uncovered prior-year losses and allowances for the Reserve Fund and the other funds the company shall create by law or the Articles of Association.
(4) If any payments have been made without the existence of the prerequisites under Paragraphs 1 - 3, the shareholders shall not be obliged to return the received amounts, unless the company proves that they have been or could have been aware that the prerequisites have not existed.
(5) (New, SG No. 58/2003) The company shall pay the dividend to its shareholders, as voted by the General Meeting, within three months after holding such meeting, unless a longer time limit is provided for by the Articles of Association.

Section XI
Annual closing audit

Purpose and scope of the audit

Article 248

(1) (Amended, SG No. 67/2008, SG No. 95/2015, effective 1.01.2016) The annual financial statement shall be audited by the registered auditors appointed by the General Meeting in the cases provided for by law.

(2) The purpose of the audit shall be to establish whether the requirements of the Accountancy Act and the Articles of Association on the annual closing have been met.

Appointment and responsibility of registered auditors

(Heading amended, SG No. 67/2008)

Article 249

(1) (Amended, SG No. 50/2008, SG No. 67/2008, supplemented, SG No. 95/2015, effective 1.01.2016) When the annual financial statements of the company shall be subject to an independent financial audit by law and the General Meeting has failed to appoint registered auditors by the end of the calendar year, a registrar with the Registry Agency, acting on a request by the board of directors, the management board or the supervisory board, respectively, or by an individual shareholder, shall appoint the auditors.

(2) (Amended, SG No. 67/2008) The registered auditors shall be responsible for the fair audit in good faith and for the protection of confidentiality.

Registered auditors' report

(Heading amended, SG No. 67/2008)

Article 250

(Amended, SG No. 105/2006, SG No. 67/2008)

Upon receipt of the registered auditors' report, the management board shall submit to the supervisory board the annual financial statement, the annual report and the registered auditors' report. The management board shall also submit the proposal on the distribution of earnings it will make before the General Meeting.

Endorsement of the annual closing

Article 251

(1) The supervisory board shall examine the annual financial statement, the annual report and the proposal on the distribution of earnings and, upon its approval thereof, shall adopt a decision to convene an Annual General Meeting.

(2) In the one-tier management system, the proposal on the distribution of earnings shall be made by the board of directors, which shall convene the General Meeting.

(3) (Supplemented, SG No. 58/2003, amended, SG No. 67/2008, SG No. 95/2015, effective 1.01.2016) When an independent financial audit is required in the cases provided for by law or when a decision for an independent financial audit is adopted, the General Meeting shall endorse the annual financial statements after the audit is completed and the auditors' report is submitted. The registered auditor shall participate in the session of the supervisory board or the board of directors, respectively, under Paragraphs 1 and 2.

(4) (Amended, SG No. 84/2000, amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006, SG No. 95/2015, effective 1.01.2016) The annual financial statement, endorsed by the General Meeting, shall be submitted for announcement to the Commercial Register.

Audit upon request by shareholders

Article 251a
(New, SG No. 58/2003)
(1) Any shareholders, holding at least 10 percent of the company's capital, may request the General Meeting to appoint an auditor to audit the annual financial statement.
(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) In case the General Meeting fails to adopt a decision to appoint an auditor, the shareholders under Paragraph 1 may request the auditor to be appointed by the registrar with the Registry Agency.
(3) The appointed auditor shall prepare a report of their findings, which shall be presented at the next General Meeting.
(4) The audit shall be at the expense of the company.

Section XII
Dissolution

Grounds for dissolution

Article 252
(1) (Previous text of Article 252, SG No. 58/2003) The joint-stock company shall be dissolved:
1. by decision of the General Meeting;
2. upon the expiration of the term, for which it was incorporated. The General Meeting may adopt a decision to extend the term prior to its expiration;
3. upon the declaration of bankruptcy thereof;
4. (amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) by decision of the court, having jurisdiction over the registered office, upon an indictment brought in by the public prosecutor, if the company pursues objectives prohibited by the law;
5. (amended, SG No. 58/2003) when the net worth of the company under Article 247a, Paragraph 2, falls below the amount of the registered capital; if, within one year, the General Meeting fails to adopt a decision to reduce the capital, to transform or dissolve the company, the company shall be dissolved under the procedure of Item 4;
6. (new, SG No. 58/2003) if, within 6 months, the number of the members of a board of the company has been less than the minimum number, provided for by the law, it may be dissolved under the procedure of Item 4;
7. (renumbered from Item 6, SG No. 58/2003) upon occurrence of the grounds, provided for by the Articles of Association of the company.
(2) (New, SG No. 58/2003) A single-shareholder joint-stock company shall not be dissolved upon the death or dissolution of the sole owner of the capital.

Chapter Fifteen
PARTNERSHIP LIMITED BY SHARES

Definition

Article 253

(1) A partnership limited by shares shall be incorporated by a memorandum, whereby limited partners are issued shares against their contributions. The number of limited partners may not be less than 3.
(2) The respective provisions, applicable to the joint-stock company, shall apply to the partnership limited by shares, unless otherwise provided for in this Chapter.
(3) The business name of a the company shall contain the designation "partnership limited by shares" or abbreviated "PLS."

Founders

Article 254

(1) The partnership limited by shares shall be incorporated by the general partners. They may select the shareholders among the subscribers.
(2) The general partners shall create the Articles of Association of the company and convene the incorporation meeting.

Contributions

Article 255

(1) The amount of the partners' contributions shall be specified by the Articles of Association.
(2) (Repealed, SG No. 103/1993).

Company bodies

Article 256

The bodies of the partnership limited by shares shall be the management bodies of the one-tier system joint-stock company provided for herein.

General meeting

Article 257

(1) Only limited partners shall have voting power in the General Meeting. The general partners, even when they hold shares, shall attend only in an advisory capacity.
(2) The competence of the General Meeting shall be specified in the Articles of Association.
(3) The General Meeting shall consider and decide on requests by limited partners for an audit of the company's business.

Board of directors

Article 258

The board of directors shall consist of the general partners.

Adoption and amendment of the articles of association

Article 259

(1) The Articles of Association shall be adopted and amended, and the company shall be dissolved with the consent of the general partners.
(2) The company shall not be dissolved upon the death or declared bankruptcy of a limited partner, unless otherwise provided for by the Articles of Association.

Liquidation share

Article 260

The liquidation share of each partner shall be commensurate to their contributions to the company.

Chapter Fifteen "a"
(New, SG No. 66/2023)
VARIABLE CAPITAL COMPANY

Section I
(New, SG No. 66/2023)
General Provisions

Definition

Article 260a

(New, SG No. 66/2023) (1) the variable capital company shall be founded by one or more natural or juridical persons. The company shall be liable to its creditors up to the extent of its property.
(2) A juridical person declared bankrupt may not be founder of a variable capital company.
(3) A variable capital company may be only an enterprise having an average staff size of less than 50 people and annual revenue not exceeding BGN 4,000,000, and/or value of the assets not exceeding BGN 4,000,000.

Company name

Article 260b

(New, SG No. 66/2023) The business name of the company shall contain the designation "variable capital company" or abbreviated "VCC". When the company has a single founder, the business name of the company shall contain the designation "single-member variable capital company" or abbreviated "SMVCC".

Memorandum of Association

Article 260c

(New, SG No. 66/2023) (1) The Memorandum of Association shall be concluded in writing and must contain:
1. the company’s business name, registered office and management address;
2. object of the association;
3. the term of the Memorandum if a term has been set;
4. the classes and face values of the shares of the different classes, the rights acquired for the different share classes, and all special terms for the transfer thereof, if any;
5. the types and values of all contributions in kind, if any;
6. the management and manner of representation;
7. all preferences reserved for certain partners, if agreed upon;
8. the manner of distribution of earnings;
9. other terms with respect to the incorporation, existence, management, and dissolution of the company.
(2) When the company has a single founder, a Deed of Incorporation shall be created.

Recording

Article 260d

(New, SG No. 66/2023) (1) Recordation of a company in the Commercial Register shall require:
1. submission of the Memorandum of Association, which shall be announced;
2. election of a managing director or a management board of the company.
(2) The details under Article 260c, Paragraph 1, Items 1 to 3, the names of the members of the management board or the name of the managing director, as the case may be, the names of the persons empowered to represent the company, and the manner of representation shall be recorded in the Commercial Register.
(3) Upon amending or supplementing the Memorandum of Association, a copy thereof, containing all amendments and supplements and certified by the body representing the company, shall be submitted to the Commercial Register for announcing.

Section II
(New, SG No. 66/2023)
Capital and company shares

Capital and shares

Article 260e

(New, SG No. 66/2023) (1) The capital of the company shall be variable and shall not be recorded in the Commercial Register. The amount of the capital at the closing of the financial year and the change thereof in relation to the previous financial year shall be established by decision of the regular annual General Meeting convened to review the annual financial statement.
(2) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) The capital of the company shall be divided into shares. All shares of the same class shall have the same face value which may not be less than one euro cent.
(3) The shares of the different classes may have different sizes.
(4) The partners shall make contributions against their acquired shares. The time limit for the contributions shall be set forth in the Memorandum of Association or set by decision of the General Meeting. Any and all contributions in kind shall be valued by three experts appointed by the management board or by the managing director of the company, as the case may be. The face value of each share shall correspond to the size of the contribution of the respective partner.

Company share

Article 260f

(New, SG No. 66/2023) (1) All rights granted by a company share shall be commensurate to the face value of the share, unless agreed upon otherwise in the Memorandum of Association. All rights granted by the company share shall arise upon payment of the contribution to the capital.
(2) If agreed upon in the Memorandum of Association, the company may issue company shares granting special rights (preferences). All company shares granting the same rights shall form a single class. No restriction of rights granted by shares of the same class shall be allowed.
(3) Preference company shares may grant more than one vote in the Partners' General Meeting, a guaranteed or an additional dividend, or a liquidation share, a right to buy back company shares, as well as other rights provided for by the law or in the Memorandum of Association.

(4) The Memorandum of Association may contain a provision for non-voting preference company shares. When a dividend due under non-voting preference shares is not paid in the course of one year and the outstanding payment is not made during the following year, together with the dividend due for that following year, the preference share shall acquire voting power until all outstanding dividends are paid. In this case, the preference shares shall be counted in determining the required quorum and majority.
(5) The Memorandum of Association may contain a provision granting to a certain class of partners or to individually named partners preferential voting power and/or veto power over the decisions adopted by the General Meeting.
(6) The certificate of membership in the company, issued to the partners, shall not constitute a security.

Partners' register

Article 260g

(New, SG No. 66/2023) (1) The company shall keep a partners' register wherein the names and addresses, personal numbers/personal numbers of non-resident persons or unified identification codes, the number of shares held, the values and the types of contributions against which the shares have been acquired, and the share classes of all partners shall be recorded. The register shall be kept by the management body or by a person appointed thereby.
(2) The management body shall ensure recording in the partners' register of the circumstances under Paragraph 1 and any changes therein not later than 7 days after the submission of the documents in accordance with the provisions of the law and the Memorandum of Association.
(3) Any partner may have access to the company's partners' register and may receive an abstract therefrom. Any third-party stakeholder may request from the management body of the company an abstract from the partners' register with information on the shares held by a specific partner.

Transfer and inheritance of company shares. Acquisition of own company shares

Article 260h

(New, SG No. 66/2023) (1) The company share may be inherited, transferred, and pledged.
(2) Company shares may be transferred freely, unless agreed upon otherwise in the Memorandum of Association. The agreement for the transfer of a company share shall be concluded in writing with notarised signatures, unless provided for otherwise in the Memorandum of Association.
(3) Unless agreed upon otherwise in the Memorandum of Association, in the event of a partner's death, any heirs thereof, who have expressed their wish to do so, shall become partners of the company. The heirs shall declare their wish to join as partners not later than three months after the date of the opening of the succession. In case the heirs do not wish to become partners, the company shall pay out thereto the value of the company share of the decedent at the time of death thereof.
(4) All inherited, transferred, and pledged company shares must be recorded in the partners' register to have effect vis-a-vis the company.
(5) The company may acquire its own company shares under the terms and procedure provided for in the Memorandum of Association. The total face value of such own shares may not exceed 50 percent of the total value of the shares. The company shall transfer, within three years, any and all own shares held in excess of this value. Otherwise, said shares shall be invalidated.
(6) Until said own shares are transferred, the company may not exercise any rights related thereto and said shares shall not be counted in determining the quorum and majority required to hold a Partners' General Meeting. All own shares shall be described in the annual financial statement.

Restrictions and special rights

Article 260i

(New, SG No. 66/2023) (1) The Memorandum of Association may contain a provision restricting the disposal of company shares for a certain period.

(2) The Memorandum of Association may contain provisions on special rights and obligations of the partners, such as the right of one or more of the partners to buy, on preferential terms, shares offered for sale by a partner or issued by the company, the right of one or more of the partners to sell all or some of the shares held thereby on the same terms as those whereunder another partner is transferring their shares, as well as other rights.

(3) The Memorandum of Association may contain provisions on the terms whereunder, by decision of the General Meeting, a partner may be required to transfer their shares, as well as on an obligation for the partners, until such transfer is made, to not exercise their voting power in the General Meeting, if such power is granted by the company shares, as recorded. In case said partner fails to transfer the company shares within one month after being notified thereto, said partner's shares may be bought by the company under the terms set forth in the Memorandum of Association, unless provided for otherwise in the Memorandum of Association.

(4) The Memorandum of Association may contain a provision that any juridical person partner, upon any change in the control thereof, shall notify the company thereon. If such power is granted by the company shares, as recorded, the General Meeting may decide that said partner may not exercise their voting power or that said partner shall be dismissed, and that said partner's shares shall be acquired by company.

(5) Any and all restrictions and special rights under Paragraphs 1 to 4 shall be introduced or revoked by decision of the General Meeting adopted by a majority of two-thirds of the votes.

(6) Any transfer of company shares in violation of the provisions in the Memorandum of Association shall have no effect vis-a-vis the company and any third parties, unless decided otherwise by the Partners' General Meeting.

(7) Upon decision of the General Meeting, the company may grant rights to acquire company shares and may execute agreements on loans convertible into company shares. Any granting and exercising of rights to acquire company shares, including any arrangements for loans convertible into company shares, shall be made under terms and procedure agreed upon in the Memorandum of Association.

Agreements on granting a right to acquire shares

Article 260i[1]

(New, SG No. 66/2023) (1) The General Meeting may grant to persons employed by the company, regardless of the type of agreement or legal relationship therewith, a right to acquire shares where such right may be exercised only by transfer of own shares of the company.

(2) The General Meeting may empower the management board or the managing director, as the case may be, for a period of no more than three years, to make decisions to grant a right to acquire shares under Paragraph 1.

(3) The terms and procedure to acquire and exercise the right under Paragraph 1 shall be set forth in the decision of the General Meeting or of the management board, or of the managing director when empowered thereto by the General Meeting, as the case may be. Any transfer of all or some of such acquired shares may be restricted for a period of no more than 5 years after the date of acquisition.

(4) Implementing the decision under Paragraph 1 or 2, a written agreement on granting a right to acquire shares shall be executed by and between the company and the respective employee.

(5) The right to acquire shares shall be non-transferable. Any heirs of the beneficiary of a right granted under Paragraph 1 may exercise said right within 6 months after the death of the beneficiary, as long as said right had become exercisable before the date of death of the beneficiary.
(6) The total number of shares acquired, upon exercising the right to acquire shares, by persons employed by the company may not be more than 15 percent of all shares.
(7) At the end of the financial year, the management board or the managing director, as the case may be, shall establish the number and value of all shares acquired under Paragraph 1 during the financial year.
(8) The management board or the managing director, as the case may be, shall present to the partners, together with the annual financial statement for the respective year, a report on:
1. the number and value of all shares acquired under agreements executed in accordance with Paragraph 4 during the reporting period;
2. the value and total number of shares available for acquisition under executed agreements on rights to acquire shares which have not been exercised or become exercisable;
3. the periods wherein rights under effective agreements may be exercised.

Section III
(New, SG No. 66/2023)
Partners' rights and obligations

Rights and obligations

Article 260j

(New, SG No. 66/2023) (1) Each partner may be involved in the management of the company, vote, receive dividends, be informed on the course of the company's business, review the company's documents, and receive a liquidation share. The Memorandum of Association may contain provisions on other rights, as well as on restrictions for the exercise thereof.
(2) Each partner shall make the contribution against their acquired share, shall implement the decisions of the General Meeting, and shall cooperate in the conduct of the company's business, unless agreed upon otherwise in the Memorandum of Association.

Consequences of non-performance of obligations. Dismissal

Article 260k

(New, SG No. 66/2023) (1) Any partner, failing to perform the obligation for the contribution thereof, shall be considered dismissed if said partner fails to perform said obligation within a time limit set additionally by the General Meeting, which may not be less than one month. The management board or the managing director, as the case may be, shall notify in writing the partner about the dismissal and the additional time limit. Such dismissed partner shall forfeit the right thereof to any contributions made thereby.
(2) The General Meeting may dismiss a partner, upon written notice, in other cases set forth in the Memorandum of Association. The voting power of the partner being dismissed shall not be considered in determining the quorum and majority.
(3) Upon decision of the General Meeting, the company shares held by the dismissed partner shall be acquired by the remaining partners and/or the company under the terms and procedure set forth in the Memorandum of Association.

Termination of membership

Article 260l

(New, SG No. 66/2023) (1) A partner's membership in the company shall be terminated upon:

1. death or full interdiction;
2. dissolution with liquidation - for juridical persons;
3. dismissal;
4. declaration of bankruptcy of a juridical person partner;
5. partner leaving the company under the terms and procedure set forth in the Memorandum of Association;
6. any other cases set forth in the Memorandum of Association.

(2) Within 7 days after the date of termination, the management body shall expunge the partner from the partners' register.

(3) The company shall pay out to said partner the value of said partner's company share at the time of termination, unless agreed upon otherwise in the Memorandum of Association.

Section IV
(New, SG No. 66/2023)
Management

Bodies

Article 260m

(New, SG No. 66/2023) (1) The company bodies shall be:

1. Partners' General Meeting;
2. management board or managing director.

(2) In a single-member company, the sole owner of the capital shall decide on issues within the competence of the General Meeting.

General Assembly

Article 260n

(New, SG No. 66/2023) (1) The General Meeting shall consist of all partners.

(2) Each partner shall have a number of votes in the General Meeting commensurate to the face value of said partner's share, unless provided for otherwise in the Memorandum of Association.

(3) All partners, recorded in the partners' register by the last day of the month before the date the General Meeting is held, may vote in the General Meeting.

Competence

Article 260o

(New, SG No. 66/2023) The General Meeting shall:

1. amend and supplement the Memorandum of Association;
2. issue new shares, specify the manner of acquisition thereof, invalidate shares and dismiss partners;
3. transform and dissolve the company, appoint and dismiss a liquidator, determine said liquidator's remuneration and the duration of the liquidation;
4. elect and dismiss the members of the management board or the managing director, as the case may be, determine their remuneration, and relieve them of their duties;

5. appoint and dismiss a registered auditor when an independent financial audit is required in the cases provided for by the law, or when a decision for an independent financial audit is adopted, and adopt the annual financial statement;
6. distribute the earnings and adopt a decision on the disbursement thereof;
7. adopt decisions on the acquisition of own company shares under the terms and procedure provided for in the Memorandum of Association;
8. decide upon any and all other issues within its competence under the law and the Memorandum of Association.

Quorum and majority

Article 260p

(New, SG No. 66/2023) (1) The Memorandum of Association may contain a provision on the required quorum as a part of the total number of votes. Decisions under Article 260p, Items 1 to 4 may be adopted only if at least half of the votes are represented at the General Meeting.
(2) In the absence of quorum in the cases under Paragraph 1, a new session may be scheduled and shall be valid, regardless of the number of shares represented, if the date and time of the new session have been indicated in the notice on the first session.
(3) All decisions of the General Meeting shall be adopted by a majority of the votes represented, unless provided for otherwise by the law or in the Memorandum of Association. All decisions under Article 260p, Items 1 to 4 shall require a majority of two-thirds of the votes represented, unless a greater majority is provided for in the Memorandum of Association.
(4) When voting by class is provided for in the Memorandum of Association or when the proposed decision affects the rights of a single class of partners, the quorum and majority requirements shall be applied separately for each class.

Convening

Article 260q

(New, SG No. 66/2023) (1) The General Meeting shall be convened by the management board or the managing director, as the case may be. It may be convened also upon request of partners holding at least 5 percent of all votes according to an abstract from the partners' register.
(2) If the General Meeting is not convened within one month after the filing of the request under Paragraph 1 or is not held within three months thereafter, the partners requesting it to be convened shall convene the General Meeting by announcing the notice thereon in the Commercial Register.
(3) The General Meeting shall be convened by a notice in writing announced in the Commercial Register at least 15 days before the date of the General Meeting or by a notice sent by electronic means with an express confirmation of receipt and received at least 7 days before the date of the General Meeting.
(4) As a minimum, the notice shall contain the following details:
1. the company's business name and registered office;
2. the place, date and time of the meeting;
3. the agenda with the issues to be discussed and the proposals for decisions.

Right to information

Article 260r

(New, SG No. 66/2023) (1) All written materials related to the agenda of the General Meeting must be made available to the partners, as provided for in the Memorandum of Association, not later than the date the announcement was made or the notices to convene the General Meeting were sent.

(2) Upon request, copies of the materials or abstracts therefrom shall be made available to each partner free of charge. Materials may be made available also by providing full access thereto by electronic means - published on the website of the company or sent via e-mail - when agreed upon in the Memorandum of Association.

Authorisation

Article 260s

(New, SG No. 66/2023) Any partner may be represented at the General Meeting by a person holding an express power of attorney in writing. If the partner is a juridical person, said partner shall be represented by the person, authorised to represent the juridical person, or by an expressly authorised person. Re-authorization shall be inadmissible.

Holding

Article 260t

(New, SG No. 66/2023) (1) A General Meeting shall be held at least once a year, by 30 June, at the company's registered office, unless another location within the territory of the Republic of Bulgaria is provided for in the Memorandum of Association.
(2) The General Meeting shall elect a chairperson and a secretary, unless provided for otherwise in the Memorandum of Association.
(3) A list of attendees shall be created, listing the partners or representatives thereof attending the session of the General Meeting and the respective number of votes exercised thereby. The list shall be authenticated by the chairperson and the secretary of the General Meeting. The partners and representatives thereof shall certify their attendance by placing their signatures in the list of attendees.
(4) The Memorandum of Association may contain a provision allowing decisions to be adopted in absentia if all partners have declared their consent thereto in writing or by electronic means.
(5) The Memorandum of Association and/or the notice on the convening of the General Meeting may contain a provision allowing the General Meeting to be held, and/or a partner to participate therein, using one or more of the following electronic means:
1. real-time broadcast of the general meeting;
2. real-time two-way messaging allowing partners to participate remotely in the discussion and adoption of decisions at the General Meeting;
3. procedure to vote before or during the general meeting, without the need of authorising a person to attend the general meeting personally.
(6) The partners' participation in the General Meeting using electronic means shall be considered in determining the quorum and the voting shall be indicated in the minutes of the General Meeting. A list of the persons who have exercised their right to vote in the General Meeting using electronic means and of the number of their votes, certified by the chairperson and the secretary of the General Meeting, shall be attached to the minutes of the General Meeting.
(7) The company shall ensure the required identity verification of the partners and representatives thereof using appropriate electronic means and security measures only to the extent necessary for the achievement of these objectives.

Decisions. Minutes

Article 260u

(New, SG No. 66/2023) (1) The General Meeting may not adopt any decisions on any issues which have not been included in the notice on the convening thereof, unless all voting partners are present or are represented at the meeting and no one objects the issues raised to be discussed.
(2) The decisions of the General Meeting shall come into force immediately, unless their effect is deferred.
(3) Any decisions on amending or supplementing the Memorandum of Association, election or dismissal of members of the management board or of the managing director, as the case may be, appointment of liquidators, transformation or dissolution of the company shall come into force after the respective circumstances are recorded in the Commercial Register.
(4) Minutes of the session of the General Meeting shall be kept on a paper and/or on an electronic medium.
(5) The minutes of the General Meeting shall be signed by the chairperson and the secretary thereof and shall have attached thereto:
1. a list of the attending partners;
2. the documents related to the convening and holding of the General Meeting;
3. an abstract from the partners' register at the date under Article 260o, Paragraph 3.

Management Board

Article 260v
(New, SG No. 66/2023) (1) The company shall be managed and represented by a management board. The number of the members of the management board shall be set forth in the Memorandum of Association.
(2) Any natural person of full capacity to act, or a juridical person, may be a member of the management board. In this case, the juridical person shall designate a representative to perform the duties of said juridical person on the management board. The juridical person shall be jointly and unlimitedly liable with the other members of the management board for any liabilities arising from the actions of said juridical person's representative.
(3) A person may not be a member of the management board, if the person has been:
1. a member of a management or a supervisory body of a company dissolved on grounds of bankruptcy in the last two years prior to the date of the decision on declaration of bankruptcy, if unsatisfied creditors remain; these restrictions shall lapse upon the expiry of a 5-year period from the dissolution of the corporation through bankruptcy; the lapse of the restrictions shall be declared expressly, indicating the specific circumstances;
2. a managing director, a member of a management or a supervisory body of a company, with regard to which non-performance of obligations to establish and maintain the stock levels, prescribed thereto under the Crude Oil and Petroleum Products Stocks Act, has been established by an effective penal order.
(4) The members of the management board shall be recorded in the Commercial Register, where they shall present a notarised consent and a statement certifying that no obstacles under Paragraph 3 exist.
(5) The management board shall elect a chairperson from among its members.

Term of office

Article 260w
(New, SG No. 66/2023) (1) The members of the management board shall be elected for a term set forth in the Memorandum of Association. They may be re-elected without restriction.

(2) Any member of the management board may request to be expunged from the Commercial Register by a written notice addressed to the company. Within one month after receipt of such notice, the company must apply for their dismissal to be recorded in the Commercial Register. If the company fails to do so, the concerned member of the management board may apply themselves to have said circumstance recorded, whereupon it shall be recorded, whether another person has been elected to replace them, or not.

Meetings

Article 260x

(New, SG No. 66/2023) (1) The sessions of the management board shall be convened and presided by the chairperson who shall convene a session upon written request submitted by one-third of the members of the management board. If the chairperson does not convene the session within one week, the session may be convened by any member of the management board. In the event of absence of the chairperson the meeting shall be chaired by a member assigned by the management board.

(2) Any and all decisions shall be adopted if at least half of the members are either present, or represented by another member of the management board, and a single member present may not represent more than one member absent, unless agreed upon otherwise. Any person, with whom there is an established two-way communication connection ensuring the verification of said person's identity and enabling the participation of said person in the discussions and the adoption of decisions, shall be considered present as well. The vote of such person shall be asserted in the minutes of the meeting by the chairperson of the meeting.

(3) The decisions shall be adopted by a simple majority of the members present, unless agreed upon otherwise. Decisions may be adopted in absentia if all members have declared their consent thereto in writing.

Management and representation

Article 260y

(New, SG No. 66/2023) (1) The management board shall assign the management of the company to one or several executive members, elected from among the management board members, and shall determine their remuneration. The executive members should be fewer than the remaining members of the management board. These powers may be revoked at any time.

(2) The names of the persons, empowered to represent the company, shall be recorded in the Commercial Register. Upon recording, they shall present a notarised consent with a specimen of the signature.

(3) The empowerment and revocation thereof shall have effect vis-a-vis bona fide third parties upon the recording thereof in the Commercial Register.

Obligations and liability

Article 260z

(New, SG No. 66/2023) (1) All members of the management board shall perform their obligations with the care of a prudent businessperson considering any business risk in relation to the expected return for the company.

(2) The members of the management board shall give preference to the interest of the company over their personal interest. They shall avoid any conflict of interest, which shall mean any conflict between their own interest and the interest of the company, and, upon any such conflict arising,

they shall disclose it immediately before the management board, shall not take part in the adoption of decisions, and shall not influence any other members of the management board in such cases.
(3) Not later than the beginning of the session, any such member of the management board shall notify in writing the chairperson thereof that said member, or a party related thereto, has an interest in an issue raised for discussion and will not participate in the adoption of a decision thereon, without being excluded in determining the quorum.
(4) The members of the management board shall be jointly liable for any damages caused thereby to the company.
(5) Any and all members of the management board, as well as any controlling partners who have acted deliberately, shall be jointly liable to the creditors for any damages suffered due to any transactions and actions of the company which have been invalidated vis-a-vis the creditors pursuant to Article 135 of the Obligations and Contracts Act, and to Article 647, Paragraphs 1 and 2 hereof, to the extent the creditors could not be satisfied from the company.
(6) In the cases under Paragraph 5, the creditor may have all claims against the company, the members of the management board, and the controlling partners joined under the same proceedings.

Managing Director

Article 260z[1]

(New, SG No. 66/2023) (1) The Memorandum of Association may contain a provision allowing the company to be managed and represented by one or more managing directors. Article 260v, Paragraphs 1 to 3, Articles 260w, 260y and 260z, Paragraphs 1, 2, 4, 5 and 6 shall apply accordingly to the managing director.
(2) The managing director shall manage the business of the company in accordance with the law and the decisions of the General Meeting.

Section V
(New, SG No. 66/2023)
Transformation and dissolution

Reorganisation

Article 260aa

(New, SG No. 66/2023) (1) If, at the regular annual General Meeting, it is established that, as of the end of the previous financial year, the company no longer meets the requirements under Article 260a, Paragraph 3, it shall be transformed into a stock company under the procedure set forth in Chapter Sixteen, Section III.
(2) If the company is not transformed by the end of the financial year following the General Meeting under the foregoing paragraph, it shall be dissolved by the district court having jurisdiction over the company’s registered office, upon action brought by the public prosecutor.

Dissolution

Article 260ab

(New, SG No. 66/2023) (1) The company shall be dissolved upon:
1. upon expiration of the term specified in the Memorandum of Association;
2. a decision by the partners, adopted by a majority of two-thirds of the votes, unless a greater majority is required under the Memorandum of Association;

3. a decision by the district court, in any cases provided for herein.
(2) The Memorandum of Association may provide for other grounds for dissolution of the company.
(3) The company may be dissolved by a decision of the district court having jurisdiction over its registered office upon:
1. action showing serious cause and brought by partners holding more than one-fifth of the shares;
2. action brought by the public prosecutor if the company's business is against the law, as well as when no managing director of the company has been recorded within three months or when the number of the members of the management board is below the legal minimum;
3. action brought by the public prosecutor, in the cases under Article 260aa, Paragraph 2.
(4) The company, wherein the single partner is a natural person, shall be dissolved upon that person's death, unless provided for otherwise or the heirs wish to continue the business.
(5) When the single partner is a juridical person, with the dissolution thereof, the company shall be dissolved as well.

Chapter Sixteen
(Amended and supplemented, SG No. 58/2003, effective 1.01.2004)
TRANSFORMATION OF COMPANIES

Section I
General provisions

Forms of transformation

Article 261
(Amended and supplemented, SG No. 103/1993, amended, SG No. 84/2000, SG No. 58/2003) (1) The companies may be transformed through acquisition, merger, split, spin-off and divestiture of a sole-owner company, as well as through change of the legal form.
(2) In all forms of transformation, the transforming, acquiring and newly incorporated companies (the companies involved in the transformation) may differ in their type, unless otherwise provided for by law.
(3) A sole-owner company may also be transformed by transferring its entire property to the sole owner, if that owner is a natural person.
(4) (New, SG No. 82/2024) A stock company may also be transformed by relocating its registered office and adopting the legal form of a company from another Member State.
Transforming a company in liquidation, restructuring and bankruptcy
(Title supplemented, SG No. 82/2024)

Article 261a
(New, SG No. 58/2003)
(1) A company in liquidation may be transformed under the procedure of this Chapter, if the conditions under Article 274, Paragraph 1 exist for that company.

(2) (Amended, SG No. 82/2024) A company for which restructuring or bankruptcy proceedings have been initiated may be transformed when the restructuring or administration plan provides for the continuation of its business. After the restructuring or bankruptcy proceedings are terminated, the transformation shall be carried out in accordance with the procedure laid down in this Chapter.

Exchange ratio

Article 261b

(New, SG No. 58/2003)

(1) In a transformation, the partners or shareholders in the transforming companies shall become partners or shareholders in one or more of the newly incorporated and/or acquiring companies. The shares acquired after the transformation must be equivalent to the fair price of the shares of the transforming company held prior to the transformation.

(2) To attain an equivalent exchange ratio, monetary payments may be made to the partners or shareholders in an amount not exceeding 10 percent of the aggregate face value of the shares acquired.

(3) (New, SG No. 66/2005) No shares of an acquiring or a newly incorporated company may be acquired in exchange of shares of the transforming company, held by the acquiring company, or in exchange of own shares of the transforming company. This prohibition shall also apply to any person, acting on their own behalf, but at the expense of the company.

Liability of the members of the management bodies

Article 261c

(New, SG No. 58/2003)

The members of the management bodies of the transforming and acquiring companies shall be liable to the partners and shareholders of the company for any damages resulting from any failure to perform their duties during the transformation and preparation thereof.

Reserved rights of third parties

Article 261d

(New, SG No. 58/2003) (1) In a transformation, any existing pledges and attachments of shares in transforming companies shall be transferred to the shares in the acquiring and/or newly incorporated companies acquired in exchange.

(2) (Amended, SG No. 83/2019, effective 22.10.2019) All transferred pledges and attachments shall be recorded administratively or upon request by the creditor in the Commercial Register or in the central securities register kept by the Central Depository AD, respectively, and in the shareholders' register maintained by the company.

Section II
Transformation through acquisition, merger, split and spin-off

Acquisition

Article 262

(Amended, SG No. 58/2003)

(1) In an acquisition, the entire property of one or more companies (transforming companies) shall be transferred to one existing company (acquiring company), which shall become their successor. The transforming companies shall be dissolved without liquidation.

(2) In the case under Paragraph 1, the legal form of the acquiring company may not be changed simultaneously.

Merger

Article 262a

(New, SG No. 52/1998, amended, SG No. 58/2003)

In a merger, the entire property of two or more companies (transforming companies) shall be transferred to a newly incorporated company, which shall become their successor. The transforming companies shall be dissolved without liquidation.

Split

Article 262b

(New, SG No. 58/2003)

(1) In a split, the entire property of one company (transforming company) shall be transferred to two or more companies, which shall become its successors for a respective part. The transforming company shall be dissolved without liquidation.

(2) The companies, to which the property of the transforming company shall be transferred, may be existing companies (acquiring companies) in a split through acquisition, newly incorporated companies in a split through incorporation, as well as both existing and newly incorporated companies at the same time.

(3) The legal form of the acquiring company may not be changed simultaneously with the split.

Spin-off

Article 262c

(New, SG No. 58/2003)

(1) In a spin-off, part of the property of one company (transforming company) shall be transferred to one or more companies, which shall become its successors for that part of the property. The transforming company shall not be dissolved.

(2) The companies, to which the part of the property of the transforming company shall be transferred, may be existing companies (acquiring companies) in a spin-off through acquisition, newly incorporated companies in a spin-off through incorporation, as well as both existing and newly incorporated companies at the same time.

(3) The legal form of the transforming company or the acquiring company may not be changed simultaneously with the spin-off.

Divestiture of a sole-owner company

Article 262d

(New, SG No. 58/2003)

(1) In a divestiture of a sole-owner company, part of the property of one company (transforming company) shall be transferred to one or more single-member limited liability companies and/or single-shareholder joint-stock companies (newly incorporated companies), whereby the transforming company becomes the sole owner of their capital. This transformation may be concluded simultaneously with a spin-off under Article 262c.

(2) The rules, applicable to the spin-off by incorporation, shall apply to the divestiture of a sole-owner company, unless otherwise provided for herein.

Transformation agreement and transformation plan

Article 262e

(New, SG No. 58/2003)

(1) Prior to the adoption of a decision on transformation, the acquiring and/or transforming companies, involved in such transformation, shall conclude a transformation agreement.
(2) The transformation agreement may be concluded also after the decision has been adopted. In such a case, the transforming and acquiring companies shall prepare a draft agreement, to which all rules concerning the transformation agreement shall apply. Within the meaning of this Section, the date of the draft agreement shall be considered to be the date of the transformation agreement.
(3) In a split through incorporation, spin-off through incorporation and divestiture of a sole-owner company, an agreement shall not be concluded. In this case, the transforming company shall create a transformation plan.

Form of the transformation agreement and transformation plan

Article 262f

(New, SG No. 58/2003)
(1) The transformation agreement shall be concluded by the persons representing the company, in writing, with notarised signatures thereof.
(2) When a draft agreement is prepared, it must be created in writing with notarised signatures of the persons representing each of the transforming and acquiring companies.
(3) The transformation plan shall be created in writing with notarised signatures by the management body of the company or by the managing partners in a personal company.

Contents of the transformation agreement and transformation plan

Article 262g

(New, SG No. 58/2003)
(1) The transformation agreement shall arrange the method of transformation.
(2) The transformation agreement must contain, as a minimum, the following:
1. (supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) the legal form or, respectively, the business name, the unified identification code and the registered office of each of the transforming and acquiring companies;
2. the exchange ratio of the shares, determined at a specific date;
3. the amount of, and the time limit to make, any monetary payments, provided for under Article 261b, Paragraph 2;
4. a description of the shares or membership to be acquired by each partner or shareholder in the newly incorporated and/or acquiring companies;
5. the terms of the allocation and handover of the shares of the newly incorporated and/or acquiring companies;
6. the time, from which the membership in a newly incorporated or acquiring company entitles to a share of the earnings, as well as any specifics, related to this entitlement;
7. the time, from which any actions of the transforming companies will be treated as performed at the expense of the newly incorporated or acquiring companies, for accounting purposes;
8. the rights, granted by the newly incorporated or acquiring companies to shareholders with special rights and holders of securities other than shares;
9. any advantage, granted to the auditors under Article 262k or to the members of the management and controlling bodies of the companies involved in the transformation.
(3) In addition to the details under Paragraph 2, the transformation plan must also contain:
1. a precise description and allocation of the assets and liabilities from the property of the transforming company which shall be transferred to each newly incorporated company;

2. the allocation of the shares and membership in the newly incorporated and/or transforming companies among the partners or shareholders of the transforming companies and the criterion for such allocation.
(4) The exchange ratio shall be determined at a date, not earlier than 6 months prior to the date of the transformation agreement or transformation plan and not later than the date of the transformation agreement or transformation plan.
Effect of the transformation agreement

Article 262h
(New, SG No. 58/2003) (1) The transformation agreement shall have effect as of the time of its conclusion for each of the transforming and acquiring companies. When the agreement is not approved by the decision on transformation of any one of the companies involved, it shall be dissolved. No liability for damages shall be incurred in such a case.
(2) Prior to the decision on transformation, the agreement may be terminated by the management body of the company. After the decision on transformation has been adopted and prior to the recording of the transformation, the agreement may be terminated only by a decision adopted by the respective majority under Article 262o.
Report of the management body

Article 262i
(New, SG No. 58/2003)
(1) The management body of each of the transforming and acquiring companies shall create a written report on the transformation. For the personal companies, the report shall be created by the managing partners.
(2) (Supplemented, SG No. 66/2005) The report under Paragraph 1 shall contain a detailed legal and economic justification of the transformation agreement or transformation plan, especially of the exchange ratio, and, in a split or a spin-off, of the share allocation criterion. The report shall indicate details on the appointed auditor and the authorised depositary under Article 262w, as well as any evaluation difficulties. When the newly incorporated company is a stock company or the capital of the acquiring company is to be increased, the report shall also contain details on the property transferred to this company, based on which the amount of the capital shall be determined according to Article 262q, Paragraph 3 and Article 262s, Paragraph 1.
(3) (New, SG No. 108/2008, amended and supplemented, SG No. 101/2010) In the cases under Article 262k, Paragraph 5, Article 262m, Paragraph 1, Item 5 and Article 5, the consent of the partners or shareholders shall be attached to the report.
(4) (New, SG No. 101/2010) No report shall be created, if all partners or shareholders in the transforming and acquiring companies have expressed their consent in writing thereto. In this case, the consent to not create a report and any consent under Paragraph 3, shall be submitted to the Commercial Register.
Submission of the agreement, the plan and the report to the Commercial Register
(Heading amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006)

Article 262j
(New, SG No. 58/2003)
(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The transformation agreement or transformation plan and the report of the

management body shall be submitted to the Commercial Register; the announcement thereon shall be made simultaneously on the files of each transforming and acquiring company.
(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The submission of the documents under Paragraph 1 for the stock companies involved shall be announced in the Commercial Register not later than 30 days prior to the date of the General Meeting convened for adoption of the decision on transformation.
Transformation audit

Article 262k
(New, SG No. 58/2003)
(1) The transformation agreement or transformation plan shall be audited by a designated auditor for each transforming or acquiring company.
(2) (Amended, SG No. 58/2003, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The auditor shall be appointed by the management body or by the managing partners for each transforming or acquiring company. Upon joint request by the management bodies, the registrar with the Registry Agency may appoint a common auditor for all transforming and acquiring companies.
(3) The auditor must be a registered auditor. The auditor may not be a person who, over the past two years, has been an auditor of the company appointing them or who has created an evaluation of a contribution in kind. The appointed auditor may not be selected as auditor of any of the companies involved in the transformation for two years after the date of the transformation.
(4) The auditor shall be granted access to any information and written materials concerning each of the transforming and acquiring companies which are relevant to the audit.
(5) (New, SG No. 108/2008) Transformation audit shall not be conducted if all partners or shareholders in the transforming and the acquiring companies have expressed their consent in writing thereto.
Auditor’s report

Article 262l
(New, SG No. 58/2003)
(1) The appointed auditor shall create an audit report to the partners or shareholders of the respective company. When a common auditor has been appointed, they shall prepare a common report for all the companies.
(2) The auditor’s report must contain an assessment as to whether the exchange ratio provided for in the transformation agreement or transformation plan is adequate and reasonable and must indicate:
1. the methods used in determining the exchange ratio;
2. the extent, to which the use of these methods is appropriate and correct in the specific case;
3. the values, obtained upon the use of each method, and the relative significance of each method in determining the value of the shares;
4. any special difficulties during the evaluation.
(3) The auditor shall be liable to all companies involved in the transformation and to their partners and shareholders for any damages caused by any failure of the auditor to perform the obligations thereof.
Obligation to provide information

Article 262m
(New, SG No. 58/2003)

(1) (Amended, SG No. 101/2010) Prior to the adoption of the decision on transformation, the following shall be made available to the partners and the shareholders:
1. the transformation agreement or transformation plan;
2. the report of the management body;
3. the auditor's report;
4. the annual financial statements and annual reports of all transforming and acquiring companies for the past three financial years, if any;
5. (supplemented, SG No. 101/2010) the balance sheet at the last day of the month preceding the date of the transformation agreement or transformation plan, unless the most recent annual financial statements refer to a financial year ended less than 6 months prior to that date or the company reports its financial statements every 6 months or within shorter periods in accordance with the Public Procurement of Securities Act, or if all partners and shareholders of the transforming or acquiring companies have expressed their consent in writing to not submit balance sheet;
6. drafts of a new Memorandum or Articles of Association of each of the newly incorporated companies, or draft amendments and supplements to the Articles or Memorandum of Association of each of the transforming and acquiring companies, respectively.
(2) (Supplemented, SG No. 101/2010) The materials under Paragraph 1 shall be made available at the registered office and address of the stock companies within 30 days prior to the date of the General Meeting. Upon request, a copy of the materials or abstracts thereof shall be made available to each partner or shareholder free of charge. The materials shall not be made available, if the company publishes them on its website within the same time limit and provides full access thereto electronically or upon expiry of the time limit under Article 263b, Paragraph 1. The materials may be made available via e-mail, when a partner or a shareholder has given their consent to the company to communicate therewith via e-mail.
(3) The time limit under Paragraph 2 need not be adhered to, if all partners or shareholders have voted in favour of the transformation.
(4) The management bodies of each of the transforming or acquiring companies shall inform the Partners' or Shareholders' General Meeting of any change in the assets and liabilities, occurring between the creation of the transformation agreement or transformation plan and the day of the General Meeting. The management bodies of the other transforming or acquiring companies shall also be informed of such change and the bodies shall inform the general meetings of their companies.
(5) (New, SG No. 101/2010) Paragraph 4 shall not apply, if all partners or shareholders in the transforming and acquiring companies have expressed their written consent thereto.
Decision on transformation

Article 262n
(New, SG No. 58/2003)
(1) The decision on transformation shall be adopted separately for each transforming or acquiring company.
(2) By the decision on transformation, the transformation agreement or transformation plan shall also be approved.
(3) If the General Meeting has approved a draft transformation agreement, the management body of the company shall conclude it only if this is expressly stipulated in the decision.
(4) By the decision on transformation, the decisions provided for in this Section, concerning all changes related to the transformation, shall be adopted as well.
Majority required to adopt the decision on transformation

Article 262o
(New, SG No. 58/2003)
(1) A general partnership or a limited partnership shall be transformed with the consent of all partners, given in writing with notarised signatures.
(2) The decision on transformation of a limited liability company shall be adopted by the Partners' General Meeting by a majority of 3/4 of the capital.
(3) The decision on transformation of a joint-stock company shall be adopted by the Shareholders' General Meeting by a majority of 3/4 of the voting shares represented. In case of shares from different classes, the decision shall be adopted by the shareholders of each class.
(4) Transformation of a partnership limited by shares shall require a decision of the general partners taken unanimously in writing with notarised signatures, and a decision of the Shareholders' General Meeting adopted by a majority of 3/4 of the voting shares represented.
Consent to transform

Article 262p
(New, SG No. 58/2003)
(1) When, as a result of a transformation, a partner in a limited liability company or a shareholder becomes a general partner, their express consent shall be required.
(2) The consent shall be considered given, if the partner or shareholder has voted in favour of the decision on transformation. In this case, the General Meeting shall be attended by a notary public, who shall create a record of findings under Article 488a of the Code of Civil Procedure, a copy of which shall be attached to the minutes of the General Meeting.
(3) If a partner or shareholder has not participated in the adoption of the decision, their consent may be given in writing with a notarised signature.
Newly incorporated company

Article 262q
(New, SG No. 58/2003)
(1) If, upon transformation, a new company is incorporated, the Memorandum and/or the Articles of Association of each of the newly incorporated companies shall be adopted and bodies shall be elected by the decision of each of the transforming companies.
(2) With the adoption of the decision under Paragraph 1, the requirements concerning the form of the Memorandum or Articles of Association shall be considered met.
(3) The amount of the capital of a newly incorporated company may not be larger than the net worth transferred to the company upon the transformation. Article 262s, Paragraph 3 shall also be applied accordingly.
(4) The rules, applicable to the specific type of company, shall be applied accordingly to the newly incorporated company.
Amendment to the memorandum or articles of association

Article 262r
(New, SG No. 58/2003)
(1) Any amendments to the Memorandum and/or the Articles of Association of an acquiring company, made upon the transformation, shall be adopted by the decision of each of the transforming companies and by the decision of that acquiring company.
(2) Amendments to the Memorandum and/or the Articles of Association of a transforming company shall be adopted by the decision on the transformation thereof.

(3) With the adoption of the decision under Paragraphs 1 and 2, the requirements concerning the form of the Memorandum and/or Articles of Association shall be considered met.

Increase of the capital

Article 262s

(New, SG No. 58/2003)

(1) The capital of an acquiring company shall be increased for the purposes of the transformation to the extent necessary to create new shares for the partners and the shareholders of the transforming companies. The amount of the increase may not be larger than the net worth transferred to that company upon the transformation.

(2) The capital of an acquiring company need not be increased, when:

1. it holds its own shares or

2. a transforming company holds shares in the acquiring company and the shares have been fully paid in.

(3) The capital of an acquiring company may not be increased, when:

1. it holds shares in a transforming company;

2. a transforming company holds its own shares or

3. a transforming company holds shares in the acquiring company and they have not been fully paid in.

Audit of the capital

Article 262t

(New, SG No. 58/2003)

(1) (Supplemented, SG No. 108/2008) When, upon transformation, a stock company is incorporated or the capital of an acquiring company is increased, the auditors of all companies shall create, in addition to the report under Article 262l, a joint report, in which they shall verify whether the conditions under Article 262q, Paragraph 3 and Article 262s, Paragraph 1 have been met. The joint report shall also be created in the cases under Article 262k, Paragraph 5.

(2) The net worth shall be established as the difference between the fair prices of the assets and the liabilities which, upon the transformation, are transferred to the newly incorporated or acquiring company.

(3) In the cases under Paragraph 2, the rules, applicable to contributions to the capital, shall not apply.

Reduction of the capital

Article 262u

(New, SG No. 58/2003)

(1) If, in a split, the capital of the transforming company is reduced, no payments to the partners and the shareholders may be made. The rules, applicable to the protection of creditors, shall not apply.

(2) Paragraph 1 shall apply also, when an acquiring company reduces its capital to proceed with the transformation.

Holders of special rights

Article 262v

(New, SG No. 58/2003)

(1) Holders of securities, other than shares, granting special rights, must be provided with equivalent rights in the acquiring or newly incorporated companies after the transformation.

(2) Article 262w shall apply to the handover of securities under Paragraph 1.

(3) Paragraph 1 shall not apply, if the meeting of the holders of these securities, if such a meeting is provided for by the law, has agreed to the change of the rights thereunder or each holder has individually given their consent to a change of the right thereof or may present the securities, held by them, for a buyback.

Handover of the shares

Article 262w

(New, SG No. 58/2003)

(1) After a decision on transformation has been adopted by all companies involved, the management body of an acquiring or newly incorporated joint-stock company, or partnership limited by shares shall hand over to a depositary the interim certificates or the shares to be received by the partners or the shareholders of the transforming companies.

(2) The depositary shall be a natural or a juridical person, authorised by the management body of a separate transforming company. The rules, applicable to an order agreement, shall apply to the relationships between the depositary and the partners or the shareholders of the transforming company. The depositary shall not exercise the rights under the shares handed over thereto.

(3) (Amended, SG No. 58/2003, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) After the recording under Article 263c, Paragraph 1 and Article 263d, Paragraph 1, the depositary shall, within two months, hand over the interim certificates or the shares to the shareholders.

(4) (Amended, SG No. 88/2018, effective 23.10.2018) Any interim certificates or shares, not received within the time limit set in Paragraph 3, shall be returned to the management body of the acquiring or newly incorporated company.

(5) (Amended, SG No. 83/2019, effective 22.10.2019) When the partners or the shareholders of the transforming companies must receive dematerialised shares, the management body of an acquiring or newly incorporated company shall apply to central securities register kept by the Central Depository for the registration of the share issue, including the opening of accounts or the transfer of shares already issued. After the recording according to Article 263c(1) and Article 263d(1), the central securities register shall record the issue and distribute the shares in accounts or register the transfer of shares and, where applicable, provide the information to the central securities depository with which the securities have been registered.

Article 262x

(New, SG No. 58/2003, repealed, SG No. 88/2018, effective 23.10.2018).

Application for recording of acquisitions and mergers

Article 263

(Amended, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The management body of the newly incorporated or acquiring company shall apply for recording of the acquisition or merger in the Commercial Register. The transformation agreement and the decisions of all companies involved in the transformation shall be attached to the application for recording.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) In addition to the documents under Paragraph 1, the following shall be attached to the application:

1. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006);

2. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006);
3. a copy of the Memorandum and/or Articles of Association of the acquiring company, containing any amendments and supplements made thereto during the transformation, certified by the body representing the company;
4. the adopted Memorandum and/or Articles of Association of the newly incorporated company and the documents required for the recording of the bodies elected;
5. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006);
6. the auditors' reports;
7. the consents under Article 262p;
8. the list of persons acquiring shares or membership in a newly incorporated or acquiring company, the type of membership, as well as details on any existing pledges and attachments;
9. (amended, SG No. 83/2019, effective 22.10.2019) a declaration of the depositories to the effect that the interim certificates or the shares have been handed over thereto or, respectively, evidence that the circumstances under Article 262w, Paragraph 5 have been declared to the central securities register and, where applicable, to the central securities depository with which the securities have been registered.
(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
(4) For personal companies, the application for recording shall be submitted by each of the managing partners.

Application for recording of splits and spin-offs

Article 263a

(New, SG No. 58/2003)
(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The management body of the transforming company shall apply for recording in the Commercial Register of the split or spin-off. The following documents shall be attached to the application for recording:
1. the transformation agreement or transformation plan and the decisions of all companies involved in the transformation;
2. a copy of the Memorandum and/or Articles of Association of the acquiring company, containing any amendments and supplements made thereto during the transformation, certified by the body representing the company;
3. the adopted Memorandum and/or Articles of Association of the newly incorporated company and the documents required for recording of its bodies.
(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) In addition to the documents under Paragraph 1, the following shall be attached to the application:
1. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006);
2. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006);
3. a copy of the Memorandum and/or Articles of Association of the transforming company, containing any amendments and supplements made during the transformation, certified by the body representing the company;

4. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006);
5. the auditors' reports;
6. the consents under Article 262p;
7. the list of persons acquiring shares or membership in a newly incorporated or acquiring company, the type of membership, as well as details on any existing pledges and attachments;
8. (amended, SG No. 83/2019, effective 22.10.2019) the declaration of the depositories to the effect that the interim certificates or the shares have been handed over thereto or, respectively, evidence that the circumstances under Article 262w, Paragraph 5 have been declared to the central securities register and, where applicable, to the central securities depository with which the securities have been registered.

(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).

(4) For personal companies, the application for recording shall be submitted by one or all of the managing partners.

Time limit for application for recording

Article 263b

(New, SG No. 58/2003)

(1) The application under Article 263, Paragraph 2 and Article 263a, Paragraph 2 may not be submitted later than 8 months after the date, at which the exchange ratio is determined under the transformation agreement or transformation plan. This time limit may not be extended or resumed.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) In the cases, when a law provides for an advance permission for the transformation from a governmental authority, the application shall be submitted within the time limit under Paragraph 1, and such permission shall be presented to the Commercial Register after it has been issued.

Recording of acquisitions and mergers

Article 263c

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) An acquisition or a merger shall be recorded by the registrar in charge of the file of the transforming, acquiring or, respectively, newly incorporated company, not earlier than 14 days after the application. Any amendments to the Memorandum or Articles of Association, changes to the capital and the persons managing and representing the acquiring company, if any such changes have been made during the transformation, shall be recorded simultaneously as well.

(2) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).

(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).

Recording of splits and spin-offs

Article 263d

(New, SG No. 58/2003)

(1) (Amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) A split or a spin-off shall be recorded by the registrar in charge of the file of the transforming, acquiring or, respectively, newly incorporated company, not earlier

than 14 days after the application. Any amendments to the Memorandum or Articles of Association, changes to the capital and the persons managing and representing the transforming or acquiring company, if any such changes have been made during the transformation, shall be recorded simultaneously as well. In a split, the transforming company shall be expunged.
(2) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
Refusal to record the transformation

Article 263e
(New, SG No. 58/2003, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
Notice to the creditors

Article 263f
(New, SG No. 58/2003, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) As of the time of recording, the creditors shall be considered notified of their rights related to the transformation.
Date of the transformation

Article 263g
(New, SG No. 58/2003)
(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The transformation shall have effect as of its recording in the Commercial Register.
(2) The transformation agreement or transformation plan may provide for an earlier date, as of which the actions of the transforming companies shall be considered performed at the expense of the newly incorporated or acquiring companies, for accounting purposes. This date may not precede the date of the transformation agreement or transformation plan by more than 6 months.
Closing and opening balance sheets

Article 263h
(New, SG No. 58/2003)
(1) Each transforming company to be dissolved shall create a closing balance sheet at the date of the transformation. A copy of the closing balance sheet shall be handed over to each of the acquiring or newly incorporated companies.
(2) Each newly incorporated company shall create an opening balance sheet at the date of the transformation based on the book values or fair prices of the assets and liabilities received through the transformation.
(3) When the transformation agreement or transformation plan provides for an earlier date, according to Article 263g, Paragraph 2, closing and opening balance sheets at that date shall be created.
Effects of the transformation

Article 263i
(New, SG No. 58/2003)
(1) Upon the recording of the transformation under Article 263c, Paragraph 1 or under Article 263d, Paragraph 1, respectively, the newly incorporated companies shall be incorporated and the

transforming companies shall be dissolved, with the exception of the transforming company in a spin-off.
(2) Upon the recording of the acquisition or merger, the rights and the obligations of the transforming companies shall be transferred to the acquiring or newly incorporated company. The partners and the shareholders in the transforming companies shall become partners or shareholders in the acquiring or newly incorporated company.
(3) Upon the recording of the split, the rights and the obligations of the transforming company shall be transferred to each acquiring and/or newly incorporated company in accordance with the allocation, provided for in the transformation agreement or transformation plan. If a right has not been allocated, it shall be transferred to all successors in proportion to the part of the net worth allocated thereto under the transformation agreement or transformation plan. The partners and the shareholders in the transforming company shall become partners or shareholders in one or more of the acquiring or newly incorporated companies in accordance with the provisions in the transformation agreement or transformation plan.
(4) Upon the recording of the spin-off, the rights and the obligations of the transforming company shall be transferred to each acquiring and/or newly incorporated company in accordance with the allocation, provided for in the transformation agreement or transformation plan. The partners and the shareholders in the transforming company shall become partners or shareholders in one or more of the acquiring or newly incorporated companies and/or shall retain their membership in the transforming company in accordance with the provisions in the transformation agreement or transformation plan.
(5) Upon the recording of a divestiture of a sole-owner company, the part of the rights and the obligations of the transforming company, provided for in the transformation plan, shall be transferred to the newly incorporated company. The transforming company shall become the sole owner of the capital of the newly incorporated company.
(6) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) When the property of a transforming company includes a property right to a real estate or a movable property, the transactions in which are subject to recording, the certificate of recording under Article 263c, Paragraph 1 and Article 263d, Paragraph 1 shall be submitted for recording in the respective register. For splits and spin-offs, the transformation agreement or transformation plan shall be attached as well.
(7) For splits and spin-offs, the respective successor shall succeed to any hitherto existing pending proceedings on cases, as provided for in the transformation agreement or transformation plan. When the transforming company is defendant, the court shall administratively bring, as parties thereto, all companies, jointly liable under Article 263k, Paragraphs 1 and 2.
(8) Any permits, licences or concessions, held by the transforming company, when it is dissolved, shall be transferred to the acquiring or newly incorporated company upon acquisition or merger, while, upon split, they shall be transferred to the company identified in the transformation agreement or transformation plan, unless otherwise provided for by law or the respective grants.
Protection of the creditors in acquisitions and mergers

Article 263j
(New, SG No. 58/2003)
(1) (Amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The acquiring or newly incorporated company shall manage separately the property of each of the transforming companies, transferred thereto, for a period of 6 months after the time of the recording of the transformation.

(2) (Supplemented, SG No. 101/2010) Within the time limit under Paragraph 1, each creditor of a company involved in the transformation, whose receivable is not secured and has arisen prior to the date of the transformation, may demand enforcement or security according to their rights. If the demand is not satisfied, the creditor shall be entitled to preferred satisfaction from the rights, held by their debtor, as well as to demand from the court to admit security for their receivable to be duly provided by attachment or interdiction.
(3) The members of the management body of the acquiring or newly incorporated company shall be jointly liable to the creditors for the separate management.
Protection of the creditors for splits and spin-offs

Article 263k
(New, SG No. 58/2003)
(1) For any payables, which have arisen prior to the date of the transformation, all companies involved in the transformation shall be jointly liable, with the exception of those dissolved. The liability of each company shall be limited to the amount of rights received by it, with the exception of the company, to which the payable has been allocated under the transformation agreement or transformation plan.
(2) If, upon split, a payable has not been allocated, all acquiring and/or newly incorporated companies shall be jointly liable thereto. They shall be liable to pay the creditor in proportion to the part of the net worth, allocated thereto under the transformation agreement or transformation plan.
(3) For splits and spin-offs, when part of the property is transferred to one or more existing companies, the rules, applicable to separate management under Article 263j, shall be also applied accordingly to each of the acquiring companies.
(4) When, upon split or spin-off through incorporation, the amount of the capital of the transforming company has been larger than the aggregate amount of the capital of all newly incorporated companies, the creditors with receivables, which have arisen prior to the date of the transformation, may demand security up to the amount of the difference in the capital. This shall apply also when any or all newly incorporated companies are personal companies.
Unlimited liability upon transformation

Article 263l
(New, SG No. 58/2003)
(1) The general partners in the transforming companies shall remain liable to the creditors for any payables, which have arisen prior to the date of the transformation.
(2) When, upon transformation, a person becomes a general partner in an acquiring company, such person shall not be liable for the payables of that company, which have arisen prior to the date of the transformation.
No relieve of obligation for contributions

Article 263m
(New, SG No. 58/2003)
(1) Partners or shareholders in a transforming or acquiring company shall not be relieved of their obligations for any contributions, which have nor been fully paid in.
(2) After the date of the transformation, the contributions shall be payable to the acquiring or newly incorporated company, for acquisitions and mergers, while, for splits and spin-offs, as provided for in the transformation agreement or transformation plan.
Contesting the transformation

Article 263n

(New, SG No. 58/2003)
(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Any partner or shareholder in a company involved in the transformation, as well as any company involved in the transformation, may file a request to the court, having jurisdiction over the registered office of the acquiring or newly incorporated company in acquisitions and mergers, or, respectively, to the court, having jurisdiction over the registered office of the transforming company in splits and spin-offs, to establish any of the following violations during the transformation, regardless of which of the companies involved in the transformation is affected by the violation:
1. no transformation agreement, draft agreement or plan exists or the existing ones are invalid;
2. the requirements of Article 262f, Article 262g, Paragraph 2, Items 1, 2 and 8 and Article 3, Article 262i, Article 262j, Article 262k, Paragraphs 2 and 3, Articles 262l - 262t and Article 262v, Paragraph 1 are not met;
3. the decision on transformation conflicts with mandatory provisions of the law, the Memorandum of Association or Articles of Association, respectively, of the company.
(2) A non-equivalent exchange ratio may not constitute grounds to file the request under Paragraph 1.
(3) The request under Paragraph 1 shall be filed not later than the date of the transformation against all companies involved in the transformation, with the exception of the newly incorporated ones. Any partner or shareholder may join the proceedings to sustain the request, even if the requisitioner abandons or withdraws it.
(4) (Amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Any request filed under Paragraph 1 shall stay the recording of the transformation. The persons under Paragraph 1 shall notify the Registry Agency on the filing. Recording of the transformation shall be refused on the grounds of the effective court decision to grant the request.
(5) (Amended, SG No. 59/2007) The request under Paragraph 1 shall be heard under the rules of Chapter Thirty-Two, Proceedings in Commercial Disputes of the Code of Civil Procedure.
(6) A request under Article 74 may not be filed against the decision on transformation.
Invalidation of a newly incorporated company

Article 263o
(New, SG No. 58/2003)
(1) (Amended, SG No. 66/2005) After the date of the transformation, a request to invalidate the company, newly incorporated during the transformation, may be filled, applying Article 70. Such request may be filed only by a partner or shareholder.
(2) A partner or shareholder may request invalidation also when the General Meeting, which has adopted the decision on transformation, has not been duly convened under the procedure, established by the law or provided for in the Memorandum or Articles of Association, and the said partner or shareholder did not attend it.
(3) The request under Paragraph 1 may not be filed by a partner or shareholder who has been party to proceedings on a request contesting the transformation and the request has been denied.
Request for monetary adjustment

Article 263p
(New, SG No. 58/2003)

(1) Within three months after the date of the transformation, any partner or shareholder may file a request for monetary adjustment before the district court, if the exchange ratio, adopted under the transformation agreement or transformation plan, is not equivalent.
(2) The request under Paragraph 1 shall be filed against the acquiring or newly incorporated company in acquisitions or mergers. In splits and spin-offs, the request shall be filed against the company or companies, in which the requisitioner is partner or shareholder after the transformation.
Right to leave

Article 263q
(New, SG No. 58/2003)
(1) A partner in a limited liability company or a shareholder, whose legal status is changing after the transformation and who has voted against the decision on transformation, may leave the company, in which they have received shares. The involvement shall be terminated by a notarised notice to the company within three months after the date of the transformation.
(2) The leaving partner shall be entitled to receive the equivalent of their share or shares held prior to the transformation, according to the exchange ratio provided for in the transformation agreement or transformation plan. The leaving partner may file a request for monetary adjustment within three months after the notice under Paragraph 1.
(3) The shares of the leaving partner shall be acquired by the remaining partners, offered to a third party, or the capital shall be reduced by the amount thereof. The shares of the leaving shareholder shall be acquired by the company, applying the rules of acquisition of own shares, with the exception of Article 187a, Paragraph 4.
Special rules

Article 263r
(New, SG No. 58/2003, amended, SG No. 66/2005)
(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) When all the companies involved in the transformation are personal companies, Articles 262i - 262m shall not apply. Upon request of a managing partner in one of the companies involved, the registrar with the Registry Agency shall appoint an auditor to audit all companies involved in the transformation. In such case, Articles 262k and 262l shall be applied accordingly.
(2) (Supplemented, SG No. 101/2010) When all transforming and acquiring companies are sole-owner companies and the sole owner of the capital is the same person, the transformation shall proceed based on a decision of the sole owner. Articles 262f and 262g, Paragraph 1, Paragraph 2, Items 1, 3, 4, 8 and 9, Paragraphs 3 and 4 shall be applied accordingly to the aforementioned decision. Articles 262h - 262p and Articles 263n - 263q shall not apply.
(3) (Supplemented, SG No. 101/2010) Upon transformation through divestiture of a sole-owner company, no exchange ratio shall be determined and audited. Articles 261b, 262i, 262k and 262l shall not apply. This shall also be the case upon acquisition of a sole-owner company by the sole owner of its capital.
(4) (New, SG No. 101/2010) When, in an acquisition, the acquiring company holds more than 90 percent of the voting power vested in its shares of the capital of the transforming company, Articles 262i and Article 262k - 262m shall not apply. In this case, Article 263q shall apply, regardless of whether the legal status of the partner or shareholder will change, or not after the acquisition.
(5) (New, SG No. 101/2010) In an acquisition, if the acquiring company holds more than 90 percent of the voting power vested in its shares of the capital of the transforming company, no decision on the acquisition shall be required to be adopted by the General Meeting of the acquiring company, if, within the time limit under Article 262j, Paragraph 2, but not later than 5 days before

the date of the General Meeting, no shareholders, holding at least 5 percent of the capital, have requested the meeting to be held under the terms of Article 223a, Paragraph 2.
(6) (New, SG No. 101/2010) In a split through acquisition, when the capital of the transforming company is owned only by the acquiring companies, no decision on the transformation shall be required to be adopted by the General Meeting of the transforming company.
(7) (New, SG No. 101/2010) In a split through incorporation, Articles 262i, 262k, 262l and Article 262m, Paragraph 1, Item 5 shall not apply, if the shares of the newly incorporated companies are allocated among the partners and shareholders according to their rights in the transforming company.
(8) (New, SG No. 66/2023) When the variable capital company participates in a transformation, the rules applicable to the personal companies shall be applied thereto.

Section III
Transformation through change of the legal form

Change of the legal form

Article 264

(Amended, SG No. 58/2003)
(1) A company (transforming company) may be transformed into a company of another type (newly incorporated company) through change of the legal form. The newly incorporated company shall become the successor of the transforming company, which shall be dissolved without liquidation.
(2) Simultaneously with the change of the legal form, no new partners or shareholders may be accepted.

Transformation plan

Article 264a

(New, SG No. 58/2003)
(1) Upon change of the legal form, the management body or the managing partners of a personal company shall create a transformation plan in writing with notarised signatures.
(2) The transformation plan must contain, as a minimum, the following:
1. (supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) the legal form, the business name, the unified identification code and the registered office of the newly incorporated company;
2. the exchange ratio of the shares, determined at a specific date;
3. the amount of, and time limit to make, any monetary payments, provided for according to Article 261b, Paragraph 2;
4. a description of the shares or membership acquired by each partner or shareholder in the newly incorporated company, as well as details on any existing pledges and attachments;
5. the conditions on the allocation and handover of the shares of the newly incorporated company;
6. the rights received by the shareholders with special rights and holders of securities other than shares.
(3) A draft new Memorandum or Articles of Association of the newly incorporated company shall also be attached to the transformation plan.

Information to be provided

Article 264b

(New, SG No. 58/2003)
(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The transformation plan shall be submitted for announcement in the Commercial Register. If the transforming company is a stock company, the submitted plan shall be announced not later than 30 days prior to the date of the General Meeting adopting the decision on transformation.
(2) The following information shall be provided to the partners and shareholders:
1. the transformation plan, together with the draft new Memorandum or Articles of Association of the newly incorporated company;
2. the balance sheet at the last day of the month preceding the date of the transformation plan, unless the most recent annual financial statement refers to a financial year ended less than 6 months prior to that date;
3. details on the appointed auditor and the authorised depository under Article 262w.
(3) The materials under Paragraph 2 shall be made available at the registered office and address of the stock companies, within 30 days prior to the date of the General Meeting. Upon request, a copy of the materials or abstracts thereof shall be made available to each partner or shareholder free of charge.
(4) The time limit under Paragraph 3 need not be adhered to, if all partners or shareholders have voted in favour of the transformation.
Transformation audit

Article 264c
(New, SG No. 58/2003)
(1) When the newly incorporated company is a stock company, the transformation plan shall be audited by a designated auditor, appointed by the management body or by the managing partners.
(2) The auditor shall create a report on the audit to the partners or the shareholders. The report must include an assessment as to whether the exchange ratio, provided for in the plan, is adequate and reasonable and must indicate the details under Article 262l, Paragraph 2.
(3) The rules of Article 262k, Paragraphs 3 and 4, and Article 262l, Paragraph 3 shall be applied accordingly to the auditor.
(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Except in the cases under Paragraph 1, an audit of the transformation shall also be carried out upon request by a partner or shareholder or upon decision by a management or controlling body of the company. When the audit has been requested by a partner, a shareholder or a controlling body, the auditor shall be appointed by the registrar with the Registry Agency.
Decision on transformation

Article 264d
(New, SG No. 58/2003)
(1) The legal form of the company shall be changed by decision on transformation according to Article 262o.
(2) When, upon change of the legal form, a partner in a limited liability company or a shareholder becomes a general partner, Article 262p shall apply.
(3) By the decision on transformation, the transformation plan shall be approved or amended. By this decision, the Memorandum and/or Articles of Association of the newly incorporated company shall be adopted and the bodies elected, whereby the requirements for the form of the Memorandum or Articles of Association shall be considered met.
Capital of the newly incorporated company

Article 264e
(New, SG No. 58/2003)
(1) When the newly incorporated company is a stock company, the amount of its capital may not be larger than the net worth of the transforming company. In this case, the auditor shall verify the compliance with this requirement.
(2) The rules of Article 262t, Paragraphs 2 and 3 shall be applied accordingly.
Additional rules for joint-stock companies and partnerships limited by shares

Article 264f
(New, SG No. 58/2003)
(1) (Amended, SG No. 88/2018, effective 23.10.2018) Article 262v shall be applied to the holders of special rights, which are not shares in the transforming company.
(2) Article 262w shall be applied accordingly to the handover of shares in the newly incorporated company.
Recording

Article 264g
(New, SG No. 58/2003)
(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The change of the legal form shall be recorded in the Commercial Register not earlier than 14 days after the application.
(2) The application for recording shall be submitted by the management body or by a managing partner in the newly incorporated company, and shall have the following documents attached thereto:
1. the decision on transformation;
2. the consents under Article 264d, Paragraph 2;
3. the adopted Memorandum and/or Articles of Association of the newly incorporated company and the documents required for the recording of the bodies elected;
4. the auditor’s report, if an audit has been carried out;
5. the list of the persons acquiring shares or membership in the newly incorporated company, as well as the type of membership;
6. (amended, SG No. 83/2019, effective 22.10.2019) the declaration of the depository to the effect that the interim certificates or the shares have been handed over thereto or, respectively, evidence that the circumstances under Article 262w, Paragraph 5 have been declared to the central securities register and, where applicable, to the central securities depository with which the securities have been registered.
(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
Effect of recording

Article 264h
(New, SG No. 58/2003)
(1) The change of the legal form shall have effect as of the recording in the Commercial Register.
(2) Upon recording of the change of the legal form, the transforming company shall be dissolved and the newly incorporated company shall be incorporated. The rights and the obligations of the transforming company shall be transferred in their entirety to the newly incorporated company.
(3) The partners and the shareholders in the transforming company shall become partners or shareholders in the newly incorporated company.

(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) When the property of a transforming company includes a property right to a real estate or a movable property, the transactions in which are subject to recording, the certificate of recording of the change of the legal form shall be submitted for recording in the respective register.
(5) Any permits, licences or concessions, held by the transforming company, shall be transferred to the newly incorporated company, unless otherwise provided for by law or the respective grants.
(6) At the date of recording, a closing and an opening balance sheet shall be created according to Article 263h, Paragraphs 1 and 2.

Protection of the creditors

Article 264i

(New, SG No. 58/2003)

(1) The general partners in the transforming company shall remain liable before the creditors for any payables, which have arisen prior to the date of the change of the legal form. When a person becomes a general partner in the newly incorporated company, such person shall not be liable for any payables, which have arisen prior to the date of the change of the legal form.
(2) Partners or shareholders in the transforming company shall not be relieved of their obligations for contributions, which have not been fully paid in.
(3) When the transforming company is a stock company and the newly incorporated company is a personal company or a company with a smaller amount of the capital, the creditors with receivables, which have arisen prior to the change of the legal form, may demand security up to the amount of the difference in the capital.

Contesting the transformation

Article 264j

(New, SG No. 58/2003)

(1) Any partner or shareholder in the transforming company may file a request before the district court, having jurisdiction over its registered office, to establish any of the following violations during the change of the legal form:
1. no transformation plan exists or the existing plan is invalid;
2. the requirements of Article 264a, Paragraph 1 and Paragraph 2, Items 1, 2 and 6, Articles 264b - 264e and Article 262v, Paragraph 1 are not met;
3. the decision on transformation conflicts with mandatory provisions of the law, the Memorandum of Association or Articles of Association, respectively, of the company.
(2) A non-equivalent exchange ratio may not constitute grounds to file the request under Paragraph 1.
(3) The request under Paragraph 1 shall be filed against the transforming company not later than the recording of the change of the legal form. Any partner or shareholder may join the proceedings to sustain the request, even if the requisitioner abandons or withdraws it.
(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Any request filed under Paragraph 1 shall stay the recording of the transformation. The recording of the transformation shall be refused on the grounds of the effective court decision to grant the request.
(5) (Amended, SG No. 59/2007) The request under Paragraph 1 shall be heard under the rules of Chapter Thirty-Two, Proceedings in Commercial Disputes of the Code of Civil Procedure.
(6) A request under Article 74 may not be filed against the decision on transformation.

Invalidation of the newly incorporated Company

Article 264k
(New, SG No. 58/2003, amended, SG No. 66/2005)
After recording the change of the legal form, a partner or a shareholder may request invalidation. Article 263o shall be applied accordingly.
Protection of partner or shareholder

Article 264l
(New, SG No. 58/2003)
(1) Any partner or shareholder may, within three months after the date of the recording of the change of the legal form, file a request before the district court, against the company, for monetary adjustment, if the exchange ratio adopted under the transformation plan is not equivalent.
(2) A partner in a limited liability company or a shareholder, whose legal status is changing after the change of the legal form and who has voted against the decision on transformation, may leave the newly incorporated company. Article 263q shall be applied accordingly.
Change of the legal form of a sole-owner company

Article 264m
(New, SG No. 58/2003)
(1) When the legal form of a sole-owner company is changed, no transformation plan shall be created and there shall be no obligation to provide information. The appointed auditor shall only audit the capital under Article 264e.
(2) The sole owner of the capital shall not have the rights under Articles 264j, 264k and 264l.

Section IV
Transformation by transfer of property to the sole owner

Transfer of property to the sole owner

Article 265
(Amended, SG No. 58/2003) (1) The entire property of a sole-owner company (transforming company) may be transferred to the sole owner, if they are a natural person and have been recorded as a sole trader. The transforming company shall be dissolved without liquidation.
(2) Transformation under Paragraph 1 shall not be allowed, if any shares in the transforming company have been pledged or attached.
(3) The decision on transformation shall be adopted by the sole owner in writing with a notarised signature.
Recording

Article 265a
(New, SG No. 58/2003)
(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The transfer of property to the sole owner shall be recorded in the Commercial Register on that sole owner’s file and on the file of the transforming company, which shall be expunged.
(2) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).

(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) As of the time of recording, the creditors shall be considered notified of their rights under Article 265b.

Effect

Article 265b

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) Any transfer of property to the sole owner shall have effect as of the time of its recording in the Commercial Register under the file of the transforming company.

(2) Upon recording, all rights and obligations of the transforming company shall be transferred to the sole trader.

(3) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) When the property of a transforming company includes a property right to a real estate or a movable property, the transactions in which are subject to recording, the certificate of recording of the transfer of property to the sole owner shall be submitted for recording in the respective register.

(4) Any permits, licences or concessions, held by the transforming company, shall be transferred to the sole trader, unless otherwise provided for by law or the respective grants.

Protection of the creditors

Article 265c

(New, SG No. 58/2003)

(1) (Amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The sole trader shall manage separately the property of the transforming company transferred thereto for a period of 6 months after the time of recording the transformation.

(2) Within the time limit under Paragraph 1, any creditor of the transforming company and of the sole trader, whose receivable is not secured and has arisen prior to the recording, may demand enforcement or security, according to their rights. If the demand is not satisfied, the creditor shall be entitled to preferred satisfaction from the rights, held by their debtor.

(3) Until the expiration of the time limit for separate management, the sole trader may not request expungement from the Commercial Register.

Section V
(New, SG No. 104/2007)
Transformation with the involvement of companies from the Member States
(Heading amended, SG No. 82/2024)

Scope

Article 265d

(New, SG No. 104/2007, amended, SG No. 82/2024)

(1) Transformation under the procedure of this section shall be carried out by acquisition, merger, division through incorporation, spin-off through incorporation or spin-off of a sole-owner company where at least one of the companies participating in the transformation is incorporated in

accordance with the legislation of another Member State, its type is specified in Annex II to Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law (OJ L 169/46 of 30 June 2017), hereinafter referred to as "Directive (EU) 2017/1132", and has its registered office, central administration or principal place of business in another Member State, and the companies participating in the transformation which have their registered office in the Republic of Bulgaria are stock companies.
(2) A transformation according to Paragraph 1 may not be carried out where:
1. any of the companies participating in the transformation has its registered office outside the European Union or the European Economic Area;
2. the law of the Member State applicable to any of the companies involved in the transformation does not permit such transformation;
3. any of the companies involved in the transformation and having its registered office in the Republic of Bulgaria is an open-ended investment company;
4. any of the companies involved in the transformation are subject to resolution tools, powers and mechanisms, as well as crisis prevention/management measures provided for in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012, of the European Parliament and of the Council (OJ L 173/190 of 12 June 2014).
(3) The rules set out in this section shall apply to a company involved in the transformation which has its registered office in the Republic of Bulgaria.
(4) The restriction set out in Article 261b, Paragraph 2 shall not apply where at least one of the companies involved in the transformation has been established in accordance with the legislation of another Member State which allows payments exceeding 10 percent.

Transformation plan

(Heading amended, SG No. 82/2024)

Article 265e

(New, SG No. 104/2007)

(1) (Amended and supplemented, SG No. 82/2024) Before the adoption of a resolution for transformation, the acquiring and/or transforming companies involved therein shall create a transformation plan. In the cases of transformation through acquisition and merger, the companies involved in the transformation shall create a common transformation plan.
(2) (Amended, SG No. 82/2024) The transformation plan shall be created in writing and shall be signed for the companies involved in the transformation, which have their registered offices in the Republic of Bulgaria, by the persons representing the company.
(3) (Amended, SG No. 82/2024) The transformation plan shall arrange the method of transformation. The plan must contain, as a minimum:
1. (supplemented, SG No. 82/2024) the legal form, the business name and the registered office of each of the transforming companies, of the acquiring company in the case of acquisition, as well as of the newly incorporated company in the case of merger, division and spin-off;
2. the exchange ratio of the shares, determined at a specific date;
3. the amount of, and the time limit to make, any monetary payments, provided for under Article 261b, Paragraph 2;

4. a description of the shares, acquired by each partner or shareholder in the newly incorporated or acquiring company, including the intended increase of the capital of the acquiring company, if such increase is required for the transformation, as well as any conditions on the allocation and handover of shares of the newly incorporated or acquiring company;
5. the time, from which the membership in a newly incorporated or acquiring company entitles to a share of the earnings, as well as any specifics, related to this entitlement;
6. the time, as of which any actions of the transforming companies shall be considered performed at the expense of the newly incorporated or acquiring company, for accounting purposes;
7. the rights granted by the newly incorporated or acquiring company to shareholders with special rights and holders of securities other than shares;
8. any advantage granted to the auditors under Article 265h or to the members of the management and controlling bodies of the companies involved in the transformation;
9. the impact of the transformation on employment;
10. the procedure to arrange the involvement of the workers and employees in the management of the newly incorporated or acquiring company, if such involvement is possible;
11. information on the evaluation of the property transferred to the newly incorporated or acquiring company;
12. (new, SG No. 82/2024) detailed information regarding the monetary compensation proposed to the partners or shareholders who voted against the resolution for transformation and wish to leave the company, as well as the deadline for its payment;
13. (new, SG No. 82/2024) collateral and other measures to protect creditors, including those whose claims have arisen but are not due as of the date of drawing up the plan.
(4) (New, SG No. 82/2024) The plan for transformation through division or spin-off shall also include:
1. an accurate description of the rights and obligations of the transforming company and their distribution among the companies participating in the transformation, including the method of distribution of rights and obligations that cannot be explicitly distributed as of the transformation date;
2. a schedule for carrying out the planned division or spin-off;
3. the distribution of units and shares in the newly incorporated companies, in the transforming company or in both, as well as the criteria for this distribution.
(5) (Renumbered from Paragraph (4), amended, SG No. 82/2024) The following shall constitute an integral part of the transformation plan:
1. the draft Memorandum or Articles of Association of each newly incorporated company in the case of a merger, division and spin-off, as well as the amendments and supplements to the Memorandum or Articles of Association of the transforming or acquiring companies;
2. the annual financial statements and the annual report and/or the balance sheet of the companies participating in the transformation based on which the transformation plan has been developed.
Report of the management body

Article 265f

(New, SG No. 104/2007, amended, SG No. 82/2024)
(1) The management body of each transforming or acquiring company shall draw up a written report on the transformation that contains a detailed legal and economic justification of the transformation and information regarding the consequences for the future operation of the company.
(2) The report shall include a section with information for partners and shareholders regarding:

1. the consequences of the transformation for partners and shareholders;
2. the exchange ratio of the shares or units determined at a specific date, and the methods for determining the exchange ratio;
3. the amount of, and the time limit to make, any monetary payments, provided for under Article 261b, Paragraph 2;
4. detailed information regarding the monetary compensations proposed to the partners or shareholders who voted against the resolution for transformation and wish to leave the company, the deadline for their payment and the method for determining them.
(3) Where the company or its subsidiaries employ workers and employees who are not members of the management bodies, the report shall include a section with information for the workers and employees regarding:
1. the consequences of the transformation in terms of employment relationships and the measures for the protection of such relationships;
2. the significant changes in the conditions of employment and the place of performance of activities as a result of the transformation.
(4) If all partners or shareholders in the companies participating in the transformation have expressed written consent to it, as well as where the transforming company is a sole-owner company, it is allowed for the report not to contain the information specified in Paragraph 2. It is allowed not to draw up a report when consent has been given in accordance with the previous sentence and the conditions specified in Paragraph 3 do not exist. Two separate reports may be prepared for the information covered by Paragraphs 2 and 3.
(5) Within 6 weeks before the date of the general meeting convened for voting the resolution for transformation, the report of the management body and the transformation plan shall be submitted for opinion to the representatives of the workers and employees in accordance with Article 7a of the Labour Code, and where there are no representatives – to all workers and employees. The opinions received shall be attached to the report.
Submission of the plan and the report to the Commercial Register

Article 265g
(New, SG No. 104/2007)
(1) The common transformation plan and the report of the management body of each transforming and/or acquiring company with a registered office in the Republic of Bulgaria shall be submitted to the Commercial Register. The announcement shall be made simultaneously on the files of each transforming company and/or of the acquiring company not less than a month before the date of the General Meeting adopting the decision on transformation.
(2) (Amended, SG No. 82/2024) Together with the acts specified in Paragraph 1, a notice shall be announced in the Commercial Register that the partners or shareholders, the creditors, as well as the workers and employees may make proposals and objections to the transformation plan not later than 5 business days before the date of the general meeting.
(3) (Amended, SG No. 82/2024) Public access free of charge shall be ensured through the system of interconnection of registers to the relevant registers in which a transforming and/or an acquiring company having its registered office in another Member State is entered, with regard to the acts and information specified in Article 123(7)(1) and Article 160g(6)(1) of Directive (EU) 2017/1132.
Transformation audit

Article 265h
(New, SG No. 104/2007)

(1) The common transformation plan shall be audited by a designated auditor for each transforming or acquiring company with a registered office in the Republic of Bulgaria appointed by the management body of the respective company.
(2) Upon joint request by all transforming and acquiring companies, the registrar with the Registry Agency may appoint a common auditor for all transforming and acquiring companies, including those which have their registered offices in another Member State.
(3) Article 262k, Paragraph 3 shall apply to the auditor appointed under Paragraphs 1 and 2.
(4) The auditor, appointed under Paragraphs 1 and 2 or appointed in accordance with the law of another Member State, in which a transforming or an acquiring company has its registered office, shall have the rights under Article 262k, Paragraph 4 and bear liability under Article 262l, Paragraph 3.
(5) An audit of the transformation shall not be carried out, if all partners or shareholders in the transforming companies and in the acquiring company have expressed their written consent thereto.
Auditor's report

Article 265i
(New, SG No. 104/2007)
(1) (Amended, SG No. 82/2024) Article 262k, Paragraph 4 and Article 262l, Paragraphs 1 and 2 shall apply to the auditor's report.
(2) (Amended, SG No. 82/2024) Where the newly incorporated company has its registered office in the Republic of Bulgaria or when the capital of the acquiring company with a registered office in the Republic of Bulgaria is increased in the case of an acquisition, the auditor shall also prepare a report in accordance with Article 262t.
(3) (New, SG No. 82/2024) The auditor's report shall include an opinion on whether the share exchange ratio provided for in the transformation plan, as well as the proposed monetary compensation in the event of a partner or shareholder leaving, are adequate and reasonable. When assessing the monetary compensation, the auditor shall take into account the market price of the units or shares of the transforming companies or the net asset value of these companies, determined in accordance with the generally accepted valuation methods, excluding the effect of the transformation.
(4) (Renumbered from Paragraph (3), amended, SG No. 82/2024) The auditor's report, as well as the report of the management body, shall be made available at the registered office and at the address of the relevant transforming and/or acquiring company with a registered office in the Republic of Bulgaria not later than one month prior to the date of the General Meeting. Upon request, a copy of the materials or abstracts thereof shall be made available to each partner or shareholder free of charge.
Decision on transformation

Article 265j
(New, SG No. 104/2007)
(1) (Supplemented, SG No. 82/2024) After familiarising itself with the reports referred to in Articles 265f and 265i, as well as with the received proposals and objections referred to in Article 265g, Paragraph 2 and opinions referred to in Article 265f, Paragraph 5, the General Meeting of each transforming and acquiring company separately shall adopt a resolution on transformation, whereby the common transformation plan shall be approved.
(2) The decision on transformation of a transforming or acquiring company with a registered office in the Republic of Bulgaria shall be adopted according to Article 262o, Paragraphs 2, 3 and 4.

(3) When a partner in a limited liability company or a shareholder in a company with a registered office in the Republic of Bulgaria becomes a general partner in the acquiring or newly incorporated company, Article 262p shall apply as well.
(4) (New, SG No. 82/2024) The minutes of the resolution on transformation shall reflect the statements of the partners or shareholders who voted against the resolution on transformation.
Certificate of the legality of the transformation

Article 265k
(New, SG No. 104/2007, amended, SG No. 82/2024)
(1) Where the acquiring company in the case of acquisition or the newly incorporated company in the case of merger is from another Member State, the management body of each transforming company which has its registered office in the Republic of Bulgaria shall request from the Commercial Register to issue a certificate of the legality of the transformation in respect of that company. Where the transforming company in the case of division or spin-off has its registered office in the Republic of Bulgaria, the management body shall request the Commercial Register to issue a certificate of the legality of the transformation.
(2) The following shall be enclosed for the issuance of a certificate of legality of the transformation:
1. the transformation plan;
2. the report of the management body;
3. the received proposals and objections referred to in Article 265g, Paragraph 2 and the opinions referred to in Article 265f, Paragraph 5;
4. the auditor's report;
5. the consents under Article 265j, Paragraph 3;
6. the resolution for transformation;
7. a certificate under Article 77 (3) of the Tax and Social-Insurance Procedure Code;
8. evidence regarding compliance with other requirements provided for by law.
(3) The certificate referred to in Paragraph 1 shall be issued within three months, but not earlier than 14 days of the submission of the application. Where a law provides for receiving an opinion from another state authority, the period may be extended by further three months, of which the applicant shall be notified in advance. Where the relevant law does not provide otherwise and in the event that no objection is made within the specified period, the relevant authority shall be deemed to have given its consent to the transformation.
(4) No certificate referred to in Paragraph 1 shall be issued where:
1. the conditions referred to in paragraphs 1 and 2 are not respected;
2. the information and data under Article 61, Paragraph 1 of the Measures against Money Laundering Act regarding the beneficial owners of the capital of the transforming company having its registered office in the Republic of Bulgaria have not been entered in the Commercial Register;
3. it is established on the basis of the opinion of an authority referred to in Paragraph 3 that the transformation is carried out to achieve goals prohibited by Bulgarian legislation or by European Union law.
Recording the transformation

Article 265l
(New, SG No. 104/2007, amended, SG No. 82/2024)
(1) The management body of the newly incorporated or acquiring company with a registered office in the Republic of Bulgaria shall apply for recording of the acquisition or merger in the Commercial Register. The transformation plan and the decisions of all companies involved in the

transformation, as well as the certificates referred to in Article 127 of Directive 2017/1132/EC with regard to the transforming companies which have their registered offices in another Member State shall be attached to the application for recording. Article 263, Paragraph 2 shall be applied accordingly. The company names, the legal form and the registration data of all transforming companies shall be entered in the register.
(2) An acquisition or merger shall be recorded on the file of the acquiring or, respectively, newly incorporated company with a registered office in the Republic of Bulgaria as well as on the files of the transforming companies, which have their registered offices in the Republic of Bulgaria, not earlier than 14 days after the application, if:
1. the transforming companies, which have their registered offices in other Member States, have submitted certificates according to Article 127 of Directive (EU) 2017/1132;
2. the companies involved in the transformation, which have their registered offices in the Republic of Bulgaria, have met the requirements of this Section and the requirements of the law regarding the adoption of the resolution for transformation;
3. the transforming company and the acquiring company have approved a transformation plan; and
4. the requirements of the Bulgarian law regarding the acquiring or newly incorporated company have been met.
(3) Where the registered office of the newly incorporated company in the case of merger or of the acquiring company in the case of acquisition is in another Member State, the transforming companies which have their registered offices in the Republic of Bulgaria shall be expunged from the Commercial Register based on a notification of the recording made sent through the system of interconnection of registers by the register of the Member State in which the acquiring or newly incorporated company is recorded.
(4) The management body of the transforming company having its registered office in the Republic of Bulgaria shall apply for recording the division or spin-off in the Commercial Register simultaneously with the request for the issuance of the certificate referred to in Article 265k, Paragraph 1. The division or spin-off shall be recorded in the file of the transforming company immediately after notifications referred to in Article 160p(3) of Directive (EU) 2017/1132 are received from the registers of the Member States in which the registered offices of all newly incorporated companies are located. The company names, the legal form and the registration data of all newly incorporated companies shall be entered in the register. The Commercial Register shall notify the register of the Member State in which the newly incorporated company is registered, through the system of interconnection of registers, of the recording of the transformation and its date.
(5) Where the newly incorporated company in the case of division or spin-off has its registered office in the Republic of Bulgaria, the management body of the transforming company shall request that the incorporation is recorded in the Commercial Register. The transformation plan and the resolution on the transformation shall be attached to the application for recording. The recording shall be made not earlier than 14 days after the application, if:
1. the requirements of the Bulgarian law regarding the relevant type of commercial company have been met;
2. a certificate of legality of the transformation in accordance with Article 160m of Directive (EU) 2017/1132 has been received through the system of interconnection of registers; and
3. the rights of workers and employees are guaranteed, where applicable.
(6) In the cases covered by Paragraph 5, the Commercial Register shall notify the register of the Member State in which the registered office of the transforming company is located, through the system of interconnection of registers, of the recording of a newly incorporated company. On the

basis of a notification of the recording of the transformation received from the register of that Member State through the system of interconnection of registers, the Commercial Register shall enter the date of the transformation.
(7) Any amendments to the Memorandum or Articles of Association, any change in the capital or the persons managing and representing the acquiring or the transforming company, as the case may be, made during the transformation, shall be recorded simultaneously with the acquisition or division.
Effect of the transformation
(Heading amended, SG No. 82/2024)

Article 265m
(New, SG No. 104/2007, supplemented, SG No. 22/2015, effective 1.01.2017, amended, SG No. 82/2024)
(1) The transformation shall take effect from the transformation date, which is determined, as follows:
1. in the case of acquisition and merger, where the acquiring company or the newly incorporated company has its registered office in the Republic of Bulgaria – the date of recording in the Commercial Register;
2. in the case of acquisition and merger, where the acquiring company or the newly incorporated company is from another Member State – the date determined in accordance with the legislation of said state;
3. in the case of division and spin-off, where the transforming company has its registered office in the Republic of Bulgaria – the date of recording in the Commercial Register;
4. in the case of division and spin-off, where the transforming company is from another Member State – the date determined in accordance with the legislation of said state, specified in the notification in accordance with Article 160p(4) of Directive (EU) 2017/1132.
(2) As of the date of the transformation through merger, the newly incorporated company shall be incorporated and all transforming companies shall be dissolved and their rights and obligations shall be transferred to the newly incorporated company. The partners and the shareholders in the transforming companies shall become partners or shareholders in the newly incorporated company, unless they have exercised their right to leave the company pursuant to Article 265n, Paragraph 1.
(3) As of the date of the transformation through acquisition, all transforming companies shall be dissolved and their rights and obligations shall be transferred to the acquiring company. The partners and the shareholders in the transforming companies shall become partners or shareholders in the acquiring company, unless they have exercised their right to leave the company pursuant to Article 265n, Paragraph 1. Where the transforming companies are owned by the same person or by partners or shareholders in equal proportion, it is possible for the partners or shareholders not to acquire new units or shares in the acquiring company.
(4) As of the date of the transformation through division, the newly incorporated companies shall be incorporated and the transforming company shall be dissolved, and its rights and obligations shall be transferred to the newly incorporated companies in accordance with the distribution provided for in the transformation plan. The partners or the shareholders in the transforming company shall acquire units or shares in one or more of the newly incorporated companies in accordance with the distribution provided for in the transformation plan.
(5) As of the date of the transformation through spin-off, one or more newly incorporated companies shall be incorporated, and part of the rights and obligations of the transforming company shall be transferred to the newly incorporated companies in accordance with the distribution

provided for in the transformation plan. The partners or the shareholders in the transforming company shall acquire units or shares in one or more of the newly incorporated companies, in the transforming company or simultaneously in the newly incorporated and the transforming company in accordance with the distribution provided for in the transformation plan. In the case of transformation of a sole-owner commercial company through spin-off, the transforming company shall become the sole owner of the capital of the newly incorporated company.
(6) Where the plan for transformation through division or spin-off does not provide for a precise distribution of certain rights or obligations among the companies participating in the transformation, such rights or obligations shall be distributed among all newly incorporated companies, and in the case of division – among the transforming company and the newly incorporated companies in proportion to the share of the net asset value distributed as per the transformation plan.
(7) When the property of a transforming company with a registered office in the Republic of Bulgaria includes a property right to a real estate, movable property or another right, the transactions in which are subject to recording in a special register, the certificate of recording in the Commercial Register and, respectively, the notification of recording under Article 265m from the register of the Member State, shall be submitted for recording in the relevant register.
(8) Any permits, licences or concessions, held by the transforming company, shall be transferred to the acquiring or newly incorporated company, unless otherwise provided for by law or the respective grants.

Protection of partners and shareholders
(Heading amended, SG No. 82/2024)

Article 265n
(New, SG No. 104/2007, amended, SG No. 82/2024)
(1) A partner or shareholder in a transforming company who has voted against the resolution on transformation shall have the right to leave the company in consideration for being paid a monetary compensation if, as a result of the transformation, said partner or shareholder acquires units or shares in a company from another Member State. The termination of participation shall be effected by a notarised notification to the company, sent not later than one month after the holding of the general meeting according to Article 265j, and may also be sent to the company by e-mail. The termination shall take effect from the transformation date. The shares of the leaving partner shall be acquired by the remaining partners, offered to a third party, or the capital shall be reduced by the amount thereof. The shares of the leaving shareholder shall be acquired by the company, applying the rules of acquisition of own shares, with the exception of Article 187a, Paragraph 4.
(2) The partner or shareholder who has left shall be entitled to monetary compensation, respectively to the equivalent of the units or shares held by him. The monetary compensation shall be paid by the company in which, according to the plan, the units or shares of the partner or shareholder have been distributed, within the period provided for in the plan, but not later than two months after the date of the transformation. If the monetary compensation proposed in the plan is not adequate and reasonable, the partner or shareholder who has left may request additional compensation.
(3) Any partner or shareholder in a transforming company who has not voted against the resolution on transformation may request monetary adjustment if the exchange ratio adopted in the transformation plan is not equivalent. Instead of monetary adjustment, units or shares in the capital of the acquiring or newly incorporated company may be transferred to the partner or shareholder.
(4) The claim for monetary compensation according to Paragraph 2 and the claim for monetary adjustment according to Paragraph 3 shall be filed within three months of the date of the

transformation before the district court having jurisdiction of the registered office of the transforming company. The defendant in the claim shall be the acquiring or newly incorporated company, and in the event of division or spin-off – the newly incorporated company in which units or shares are intended to be acquired or have been acquired by the partner or shareholder, regardless of whether the defendant has its registered office in the Republic of Bulgaria.
(5) The transformation under this Section may not be invalidated. No request under Article 74 may be filed against the resolution for transformation of a company, which has its registered office in the Republic of Bulgaria. Furthermore, no request under Article 263o to declare the company newly incorporated in the course of the transformation with a registered office in the Republic of Bulgaria invalid may be filed.
(6) The transformation may be contested under the procedure of Article 263n, when the requirements of this Section have not been met. A nonequivalent exchange ratio, inadequate monetary compensation or non-compliance of the information provided about these circumstances with the law shall not serve as grounds for filing a claim to challenge the transformation. Where the acquiring company in the case of acquisition, the newly incorporated company in the case of merger and the transforming company in the case of division or spin-off has a seat in the Republic of Bulgaria, the claim shall be filed not later than the recording of the transformation, and when the relevant company has its registered office in another Member State, the claim shall be filed not later than the issuance of a certificate under Article 265k. The bringing of the claim shall stay the recording of the transformation, respectively the issuing of a certificate. The recording of the transformation, respectively the issuing of a certificate, shall be refused on the grounds of the effective court decision to grant the request.
Protection of the creditors
(Heading amended, SG No. 82/2024)

Article 265o
(New, SG No. 104/2007, amended, SG No. 82/2024)
(1) The creditor whose receivable has arisen but is not due to as of the date of drawing up the plan, and who is not satisfied with the security and other measures for the protection of creditors proposed in the transformation plan, may, within three months of the announcement of the plan, demand enforcement or security in accordance with its rights. If the demand is not satisfied, the creditor shall be entitled to preferred satisfaction from the rights, held by their debtor, as well as to demand from the court to admit security for their receivable to be duly provided by attachment or interdiction. The court shall admit the security if the creditor presents convincing evidence that, due to the transformation, there is a risk for the satisfaction of its receivable. The admitted security shall take effect from the date of the transformation, and the time period according to Article 390(3) of the Code of Civil Procedure for filing the claim shall begin to run from the date of the transformation.
(2) The transforming company shall provide as security for outstanding public liabilities and/or liabilities in an alleged amount in respect of which preliminary precautionary measures have been imposed in the course of an uncompleted audit proceeding in accordance with Article 121 of the Tax and Social Insurance Procedure Code, the transforming company shall provide a financial guarantee to an account of the National Revenue Agency or an unconditional and irrevocable bank guarantee in favour of the National Revenue Agency with a term of validity of not less than one year. The security must cover the amount of the outstanding public liabilities together with the interest due until the final repayment of the principal, as well as the estimated amount of public

liabilities in respect of which preliminary precautionary measures have been imposed. The security shall be valid even after the date of the transformation.
(3) All companies involved in the transformation through division or spin-off, with the exception of those dissolved, shall be jointly and severally liable for any liabilities which have arisen prior to the date of the transformation. The liability of each company shall be limited to the amount of rights received by it, with the exception of the company, to which the payable has been allocated under the transformation plan. If, in the case of division, a liability has not been not distributed, all newly incorporated companies and the transforming company shall be jointly and severally liable for it in proportion to the net value of the property allocated to them according to the transformation plan.
(4) The acquiring company or the newly incorporated company in the case of acquisition and merger which has its registered office in the Republic of Bulgaria shall manage separately the property of each of the transforming companies transferred to it for a period of 6 months after the time of the recording of the transformation.

Special rules

Article 265p

(New, SG No. 104/2007)

(1) (Previous text of Article 265p, amended, SG No. 82/2024) When the acquiring company in the case of acquisition and merger is a sole owner of the capital of all transforming companies, the transformation shall proceed based on a decision of the sole owner. Article 265e, Paragraph 3, Items 2 - 5, Article 265h, Article 265I and Article 265n, Paragraph 2, sentence two shall not apply, and Articles 265f and 265j shall not apply to the transforming companies. The transformation plan and the report of the management body shall be made available at the registered office and at the address of the transforming and acquiring companies having a registered office in the Republic of Bulgaria not later than one month prior to the date of the General Meeting.
(2) (New, SG No. 82/2024) Article 265e, Paragraph 3, Items 2 - 5, 7 and 12, Article 265f, Article 265i and Article 265n shall not apply in the case of spin-off.

Involvement of the workers and employees

Article 265q

(New, SG No. 104/2007)

(1) When one of the transforming companies, the acquiring or newly incorporated company has its registered office in the Republic of Bulgaria, Articles 12 - 15, Article 16, Paragraph 1 and 2, Article 16, Paragraph 3, Items 4 and 5 (whereas one-third, instead of 25 percent of the total number of workers and employees, shall be required), Articles 17, 18, 19, 29 and 30 of the Act on Information and Consultation of Factory and Office Workers in Community-Scale Undertakings, Groups of Undertakings and European Companies shall be applied accordingly to the involvement of the workers and employees in the transformation, with the acquiring or newly created company under this Section being treated as a European company.
(2) When the acquiring or newly incorporated company has its registered office in the Republic of Bulgaria, the management bodies of the transforming companies and of the acquiring company may choose, without any prior negotiation, to directly apply the standard rules under Articles 16 and 17 of the Act on Information and Consultation of Factory and Office Workers in Community-Scale Undertakings, Groups of Undertakings and European Companies. When the acquiring or newly incorporated company has its registered office in another Member State, the bodies may choose to directly apply the standard rules adopted in the legislation of that Member State, in accordance with Council Directive 2001/86/EC supplementing the Statute for a European company with regard to the involvement of employees.

(3) (Amended, SG No. 82/2024) When the acquiring or newly incorporated company has its registered office in the Republic of Bulgaria and one of the transforming companies has applied rules for the involvement of the workers and employees, within the meaning given by § 1, Item 20 of the Supplementary Provisions of the Act on Information and Consultation of Factory and Office Workers in Community-Scale Undertakings, Groups of Undertakings and European Companies, the acquiring or newly incorporated company shall ensure the exercise of the rights, arising from these rules. This rule shall furthermore apply upon a subsequent transformation under the procedure of this Chapter or by Council Regulation (EC) No. 2157/2001 on the Statute for a European company (SE), but for not more than four years after the date under Article 265m, Paragraph 1.

Section VI
(New, SG No. 82/2024)
Transformation into a Company from Another Member State

Scope

Article 265r
(New, SG No. 82/2024)
(1) Transformation under the procedure of this section shall be carried out where a stock company having its registered office in the Republic of Bulgaria (transforming company) transfers its registered office and assumes the legal form of a company which incorporated in accordance with the legislation of another Member State, has its registered office, central administration or principal place of business in another Member State and is of a type specified in Annex II to Directive (EU) 2017/1132 (transformed company).
(2) The procedure of this section shall apply to the recording of a transformation of a company incorporated in accordance with the legislation of another Member State and of a type specified in Annex II to Directive (EU) 2017/1132 (transforming company), which transfers its registered office to the Republic of Bulgaria and changes its legal form into a stock company (transformed company), and said procedure shall regulate the consequences of the transformation.
(3) A transformation according to Paragraph 1 may not be carried out where:
1. any of the companies participating in the transformation has its registered office outside the European Union or the European Economic Area;
2. the law of the Member State applicable to any of the companies involved in the transformation does not permit such transformation;
3. any of the companies involved in the transformation is an open-ended investment company;
4. the transforming company is subject to resolution tools, powers and mechanisms, as well as crisis prevention/management measures provided for in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council.

Transformation plan

Article 265s
(New, SG No. 82/2024)

The transforming company shall prepare a transformation plan in writing, which shall contain as a minimum:
1. the legal form, the business name and the registered office of the transforming company;
2. the legal form, the business name and the registered office of the transformed company;
3. the draft Memorandum or Articles of Association of the transformed company;
4. a schedule for carrying out the planned transformation;
5. the rights granted by the transformed company to shareholders and partners in the transforming company with special rights and to holders of securities other than shares;
6. any security and other measures for the protection of creditors;
7. any advantage granted to the auditors under Article 265h or to the members of the management and controlling bodies of the transforming company;
8. detailed information about the state aid, tax breaks and other forms of financial assistance received in the Republic of Bulgaria over the last 5 years;
9. detailed information regarding the monetary compensation proposed to the partners or shareholders who are entitled to leave the company, as well as the deadline for its payment;
10. the impact of the transformation on employment;
11. the procedure to arrange the involvement of the workers and employees in the management of the transformed company, if such involvement is possible.

Report of the management body

Article 265t
(New, SG No. 82/2024)
(1) The management body of the transforming company shall draw up a written report on the transformation that contains a detailed legal and economic justification of the transformation and information regarding the consequences for the partners and shareholders, as well as for the workers and employees of the company.
(2) The report shall include a section with information for partners and shareholders regarding:
1. the consequences of the transformation for partners and shareholders;
2. detailed information regarding the monetary compensations proposed to the partners or shareholders who voted against the resolution for transformation and wish to leave the company, as well as regarding the method used to deadline the monetary compensations;
3. the rights of partners and shareholders laid down in Article 265z.
(3) Where the transforming company or its subsidiaries employ workers and employees who are not members of the management bodies, the report shall include a section with information for the workers and employees regarding:
1. the consequences of the transformation in terms of employment relationships and the measures for the protection of such relationships;
2. the significant changes in the conditions of employment and the place of performance of activities as a result of the transformation.
(4) If all partners or shareholders in the companies participating in the transformation have expressed written consent to it, as well as where the transforming company is a sole-owner company, it is allowed for the report not to contain the information specified in Paragraph 2. It is allowed not to draw up a report when consent has been given in accordance with the previous sentence and if the conditions specified in Paragraph 3 do not exist. Two separate reports may be prepared for the information covered by Paragraph 2 and Paragraph 3.
(5) Within 6 weeks before the date of the general meeting convened for voting the resolution for transformation, the report of the management body and the transformation plan shall be submitted

for opinion to the representatives of the workers and employees in accordance with Article 7a of the Labour Code, and where there are no representatives – to all workers and employees. The opinions received shall be attached to the report.

Submission of the plan and the report to the Commercial Register

Article 265u
(New, SG No. 82/2024)
(1) The transformation plan and the report of the management body of the transforming company with a registered office in the Republic of Bulgaria shall be submitted for announcement to the Commercial Register. The announcement shall be made not later than a month before the date of the General Meeting adopting the resolution for transformation.
(2) Together with the plan, a notice shall be announced in the Commercial Register that the partners or shareholders, the creditors, as well as the workers and employees may make proposals and objections to the plan not later than 5 business days before the date of the general meeting.
(3) Public access free of charge shall be ensured through the system of interconnection of registers to the relevant registers in which a transforming and/or a transformed company having its registered office in another Member State is entered, with regard to the acts and information specified in Article 86g(6)(1) of Directive (EU) 2017/1132.

Transformation audit and auditor's report

Article 265v
(New, SG No. 82/2024)
(1) The transformation plan shall be audited by a designated auditor who shall be appointed by the management body of the transforming company. The requirements set out in Article 262k, Paragraphs 3 and 4, and Article 262l, Paragraph 3 shall apply to the appointed auditor.
(2) The auditor's report shall include an opinion on whether the proposed monetary compensation in the event of a partner or shareholder, who voted against the resolution for transformation, leaving, is adequate and reasonable. To this end, the report shall also state:
1. the methods used in determining the proposed monetary compensation;
2. the extent, to which the use of these methods is appropriate and correct in the specific case;
3. the values, obtained upon the use of each method, and the relative significance of each method in determining the value of the monetary compensation;
4. any special difficulties during the evaluation.
(3) When assessing the monetary compensation, the auditor shall take into account the market price of the units or shares of the transforming company or the net asset value of this company, determined in accordance with the generally accepted valuation methods, excluding the effect of the transformation.
(4) The auditor's report, as well as the report of the management body, shall be made available at the registered office and at the address of the transforming company not later than one month prior to the date of the General Meeting. Upon request, a copy of the materials or abstracts thereof shall be made available to each partner or shareholder free of charge.
(5) An audit of the transformation shall not be carried out if all partners or shareholders in the transforming company have expressed their written consent thereto.

Resolution for transformation

Article 265w
(New, SG No. 82/2024)

(1) After familiarising itself with the reports referred to in Articles 265t and 265v, as well as with the received proposals and objections referred to in Article 265u, Paragraph 2 and opinions referred to in Article 265t, Paragraph 5, the General Meeting of the transforming company shall adopt a resolution on transformation, whereby the transformation plan is approved and the Memorandum and/or Articles of Association of the transformed company is adopted.
(2) The resolution for transformation shall be taken in accordance with Article 262o, Paragraphs 2 – 4. When a partner in a limited liability company or a shareholder becomes a general partner in the transformed company, Article 262p shall also apply.
(3) The minutes of the resolution on transformation shall reflect the statements of the partners or shareholders who voted against the resolution on transformation.

Certificate of the legality of the transformation

Article 265x
(New, SG No. 82/2024)
(1) The management body of the transforming company having its registered office in the Republic of Bulgaria shall request the Commercial Register to issue a certificate of the legality of the transformation.
(2) The following shall be enclosed for the issuance of a certificate of legality of the transformation:
1. the transformation plan;
2. the report of the management body;
3. the received proposals and objections referred to in Article 265u, Paragraph 2 and the opinions referred to in Article 265t, Paragraph 5;
4. the auditor's report;
5. the resolution for transformation;
6. a certificate under Article 77 (3) of the Tax and Social-Insurance Procedure Code;
7. evidence regarding compliance with other requirements provided for by law.
(3) The certificate referred to in Paragraph 1 shall be issued within three months, but not earlier than 14 days of the submission of the application. Where a law provides for receiving an opinion from another state authority, the period may be extended by further three months, of which the applicant shall be notified in advance. Where the relevant law does not provide otherwise and in the event that no objection is made within the specified period, the relevant authority shall be deemed to have given its consent to the transformation.
(4) No certificate referred to in Paragraph 1 shall be issued where:
1. the conditions referred to in paragraphs 1 and 2 are not respected.
2. the transformation plan does not contain the information specified in Article 265t, Paragraph 3;
3. the information and data under Article 61, Paragraph 1 of the Measures against Money Laundering Act regarding the beneficial owners of the capital of the transforming company having its registered office in the Republic of Bulgaria have not been entered in the Commercial Register;
4. it is established on the basis of the opinion of an authority referred to in Paragraph 3 that the transformation is carried out to achieve goals prohibited by Bulgarian legislation or by European Union law.

Recording and effect of the transformation

Article 265y
(New, SG No. 82/2024)

(1) When the transformed company has its registered office in the Republic of Bulgaria, the management body shall apply for recording of the transformation in the Commercial Register after the competent authority of the other Member State has issued the certificate referred to in Article 86m of Directive (EU) 2017/1132.
(2) The transformation plan, the resolution of the transforming company and evidence that the requirements of the law for recording of the company have been met shall be attached to the application for recording.
(3) The recording shall be made on the file of the transformed company with a registered office in the Republic of Bulgaria not earlier than 14 days after the application, if the conditions set out in Paragraph 2 have been fulfilled. The certificate referred to in Paragraph 1 shall be received at the Commercial Register via the system for interconnection of the registers.
(4) The transforming company having its registered office in the Republic of Bulgaria shall be expunged from the Commercial Register based on a notification from the register of the Member State, in which the transformed company is recorded, to the effect that the transformation has been recorded. Such notification shall be received via the system for interconnection of the registers.
(5) The transformation shall have effect as the date of the transformation, which shall be the date of recording in the Commercial Register in the case covered by Paragraph 1, and the date determined in accordance with the legislation of the other Member State in the case covered by Paragraph 4.
(6) From the date of the transformation, the transforming company from another Member State shall transfer its registered office to the Republic of Bulgaria and continue to exist as a stock company of the relevant type, respectively, the transforming company having its registered office in the Republic of Bulgaria shall transfer its registered office to the other country and continue to exist as a company under the law of that Member State. The rights and the obligations of the transforming company shall be rights and obligations of the transformed company. The partners and the shareholders in the transforming companies shall be partners or shareholders in the transformed company, unless they have exercised their right to leave the company pursuant to Article 265z, Paragraph 1.

Protection of partners and shareholders

Article 265z
(New, SG No. 82/2024)
(1) A partner or shareholder in the transforming company who has voted against the resolution for transformation shall have the right to leave the company in consideration for receiving a monetary compensation. The termination of participation shall be effected by a notarised notification to the company, sent not later than one month after the holding of the general meeting according to Article 265w, which may also be sent by e-mail. The termination of participation shall take effect from the transformation date. The shares of the leaving partner shall be acquired by the remaining partners, offered to a third party, or the capital shall be reduced by the amount thereof. The shares of the leaving shareholder shall be acquired by the company, applying the rules of acquisition of own shares, with the exception of Article 187a, Paragraph 4.
(2) The partner or shareholder who has left shall be entitled to monetary compensation, respectively to the value of the units or shares that he held. The monetary compensation shall be paid within the period provided for in the transformation plan, but not later than two months after the date of the transformation. If the monetary compensation proposed in the plan is not adequate and reasonable, the partner or shareholder who has left may request additional compensation.
(3) The claim for monetary compensation according to Paragraph 2 shall be filed within three months of the date of the transformation before the district court having jurisdiction of the

registered office of the transforming company. The defendant in the claim shall be the transformed company, regardless of whether it has a registered office in the Republic of Bulgaria.
(4) The transformation under this Section may not be invalidated. No request under Article 74 may be filed against the resolution for transformation of a company, which has its registered office in the Republic of Bulgaria. Furthermore, no request under Article 263o to invalidate the transformed company with a registered office in the Republic of Bulgaria may be filed.
(5) The transformation may be contested under the procedure of Article 263n, when the requirements of this Section have not been met. Inadequate monetary compensation or non-compliance of the information provided about these circumstances with the law shall not serve as grounds for filing a claim to challenge the transformation. Where the transformed company has a seat in the Republic of Bulgaria, the claim shall be filed not later than the recording of the transformation, and when it has its registered office in another Member State, the claim shall be filed not later than the issuance of a certificate under Article 265x. The bringing of the claim shall stay the recording of the transformation, respectively the issuing of a certificate. The recording of the transformation, respectively the issuing of a certificate, shall be refused on the grounds of the effective court decision to grant the request.

Protection of the creditors

Article 265aa
(New, SG No. 82/2024)
(1) A creditor of a transforming company having a seat in the Republic of Bulgaria, whose receivable has arisen but is not due to as of the date of drawing up the plan, and who is not satisfied with the security and measures for the protection of creditors proposed in the transformation plan, may, within three months of the announcement of the plan, demand enforcement or security in accordance with its rights. If the demand is not satisfied, the creditor shall be entitled to preferred satisfaction from the rights, held by their debtor, as well as to demand from the court to admit security for their receivable to be duly provided by attachment or interdiction. The court shall admit the security if the creditor presents convincing evidence that, due to the transformation, there is a risk for the satisfaction of its receivable. The admitted security shall take effect from the date of the transformation, and the time period according to Article 390(3) of the Code of Civil Procedure for filing the claim shall begin to run from the date of the transformation.
(2) The transforming company shall provide as security for outstanding public liabilities and/or liabilities in an alleged amount in respect of which preliminary precautionary measures have been imposed in the course of an uncompleted audit proceeding in accordance with Article 121 of the Tax and Social Insurance Procedure Code, the transforming company shall provide a financial guarantee to an account of the National Revenue Agency or an unconditional and irrevocable bank guarantee in favour of the National Revenue Agency with a term of validity of not less than one year. The security should cover the amount of the outstanding public liabilities together with the interest due until the final repayment of the principal, as well as the estimated amount of public liabilities in respect of which preliminary precautionary measures have been imposed. The security shall be valid even after the date of the transformation.
(3) A creditor of a transforming company having its registered office in the Republic of Bulgaria, whose receivable arose before the publication of the transformation plan, may, within two years of the transformation, file a claim against the transformed company before the district court having jurisdiction of the registered office of the transforming company in the Republic of Bulgaria. This does not preclude the exercise of the creditor’s rights before the court in another Member State having jurisdiction over the dispute.

Involvement of the workers and employees

Article 265ab
(New, SG No. 82/2024)
(1) When the transforming company or the transformed company has its registered office in the Republic of Bulgaria, Articles 12 - 15, Article 16, Paragraphs 1 and 2, Article 16, Paragraph 3, Items 4 and 5 (whereas one-third, instead of 25 percent of the total number of workers and employees, shall be required), Articles 17, 18, 19, 29 and 30 of the Act on Information and Consultation of Factory and Office Workers in Community-Scale Undertakings, Groups of Undertakings and European Companies shall apply accordingly to the involvement of the workers and employees, and the transformed company under this Section shall be treated as a European company.
(2) When the registered office of the transformed company is in the Republic of Bulgaria, the management bodies may decide, without any negotiations, to apply the standard rules set out in Articles 16 and 17 of the Act on Information and Consultation of Factory and Office Workers in Community-Scale Undertakings, Groups of Undertakings and European Companies. When the registered office of the transformed company is in another Member State, said bodies may decide to apply the standard rules adopted in the legislation of that Member State, in accordance with Council Directive 2001/86/EC supplementing the Statute for a European company with regard to the involvement of employees.

Chapter Seventeen
LIQUIDATION

Start of the liquidation

Article 266
(1) Liquidation shall be carried out after the dissolution of the company.
(2) (New, SG No. 83/1996, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The time limit for completion of the liquidation shall be set by the General Meeting of the limited liability company and the joint-stock company, and for the other companies, by unanimous decision of the general partners. Such a time limit shall also be set by the registrar with the Registry Agency, when the registrar appoints liquidators. The set time limit may be extended, as needed.
(3) (Previous paragraph 2, SG No. 83/1996, amended, SG No. 84/2000, supplemented, SG No. 66/2005, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The liquidators shall be recorded in the Commercial Register, presenting thereto notarised consent with specimens of their signatures.
(4) (Renumbered from Paragraph 3, amended, SG No. 83/1996, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The court, having jurisdiction over the registered office may, when important reasons exist, appoint or dismiss liquidators upon request by the partners, or, respectively, by the shareholders, holding 1/20 of the capital.
(5) (New, SG No. 83/1996) The remuneration of the liquidators shall be set by:
1. the General Meeting of the limited liability company or the joint-stock company;
2. the general partners in the companies, unanimously;

3. the court, when the liquidators have been appointed by it;
4. (new, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) the registrar with the Registry Agency, when the liquidators are appointed by the registrar.
(6) (New, SG No. 83/1996) The liquidators shall be liable for their activities related to the liquidation in the same way as the managing directors and the other executive bodies of companies.
Notice to the creditors

Article 267

(Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006)
Upon declaring the dissolution of the company, the liquidators shall send notice to its creditors to claim their receivables. The notice shall be sent in writing to the known creditors and shall also be announced in the Commercial Register.
Obligations of the liquidators

Article 268

(1) The liquidators shall complete any pending transactions, collect the receivables, liquidate the remaining property and satisfy the creditors. They may conclude new transactions only if such are required by the liquidation.
(2) The liquidators may, with the consent of the partners, shareholders and creditors, respectively, transfer separate pieces of the liquidation property to them, if the transfers do not infringe the rights of the remaining partners and creditors.
(3) (New, SG No. 61/1993, amended, SG No. 105/2005) The liquidators shall inform the National Revenue Agency of the proceeds from the started liquidation.
(4) (New, SG No. 34/2011, effective 3.05.2011) The liquidator shall exercise their powers with the care of a prudent businessman.
Representation

Article 269

(1) The liquidators shall represent the company and shall have the rights and obligations of its executive body.
(2) The liquidators may represent the company only jointly. A single liquidator may accept legal statements addressed to the company.
Opening balance sheet and report

Article 270

(1) (Amended, SG No. 105/2006) The liquidators shall create a balance sheet at the time of dissolution of the company and a report explaining the balance sheet. At the end of each year, the liquidators shall carry out the annual closing and present an annual financial statement and annual report to the managing body.
(2) The managing body shall adopt decisions to endorse the opening balance sheet, the annual closing and the liquidators' disclaimers.
Acquisition of a company in liquidation

Article 270a

(New, SG No. 83/1996, repealed, SG No. 58/2003).
Distribution of the property

Article 271

Any property remaining after the satisfaction of the creditors shall be distributed among the partners or shareholders, respectively.

Protection of the creditors

Article 272

(1) (Amended, SG No. 83/1996, amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) The company's property may be distributed only after six months have passed from the date, on which the notice to the creditors is announced in the Commercial Register.

(2) If a duly notified creditor fails to claim their receivable, the amount payable shall be deposited to a bank in their name.

(3) When a receivable is contested, the property shall be distributed only upon furnishing security to the creditor.

(4) (New, SG No. 83/1996) The managing body of the company may, after the creditors are satisfied, write off any uncollectable receivables of the company. This decision shall be adopted by a simple majority.

Suspension and termination of liquidation proceedings upon initiation of bankruptcy proceedings

Article 272a

(New, SG No. 84/2000)

(1) (Supplemented, SG No. 38/2006) The company liquidation proceedings shall be suspended as of the date of the decision on initiation of bankruptcy proceedings. The liquidation proceedings shall be terminated on the date of coming into force of the decision under Article 630. With the decision to initiate bankruptcy proceedings, the court shall declare the debtor-company bankrupt under Article 630, Paragraph 2 or, respectively, under Article 632, Paragraph 1.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) In the cases under Paragraph 1, the bankruptcy court shall send a copy of the decision to initiate bankruptcy proceedings for recording in the Commercial Register on the same day.

Liquidator's report and balance sheet upon termination of liquidator's activity

Article 272b

(New, SG No. 84/2000)

(1) In the cases, when bankruptcy proceedings have been initiated for a company in liquidation, the liquidator shall create and submit to the bankruptcy court a balance sheet at the date of the decision to initiate bankruptcy proceedings and a report on their activity under Article 270, within 7 days after the suspension of the liquidation proceedings.

(2) The appointed trustee in bankruptcy, the debtor or a creditor may raise objection to the balance sheet and the report under Paragraph 1, within 7 days after their submission to the court.

(3) Within 14 days, the court shall adjudicate on the objection by decision, which may not be appealed.

(4) If no objection is raised within the time limit under Paragraph 2, the liquidator's report and balance sheet shall be considered adopted.

(5) While the liquidation proceedings are suspended, the liquidator may not perform any actions, provided for in Chapter Seventeen.

End of the liquidation

Article 273

(1) (Supplemented, SG No. 84/2000, amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) When all the payables have been settled and the remaining property has been distributed, the liquidators shall request the expungement of the company.
(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006) If, at a later stage, further liquidation actions are found to be required, the registrar with the Registry Agency, upon request by the stakeholder, shall appoint either the previous or other liquidators.
(3) (New, SG No. 82/2024) According to the procedure for admitting the security for a claim under Chapter Thirty-Four of the Code of Civil Procedure, a creditor who has brought a claim against the company or against persons liable for its obligations, has filed an application for the issuance of an enforcement order, has an enforceable title for his claim or has proceeded to out-of-court enforcement, where a law so provides, may request the district court having jurisdiction of the registered office of the company to prohibit the expungement of the company. The prohibition shall be lifted when the company establishes that the claim has been dismissed or the proceedings on it have been terminated by a final court decision, respectively the application for an enforcement order has been rejected, the enforcement order has been invalidated, or when it presents an official document or a document issued by the creditor that the claim has been settled or the out-of-court enforcement has ended.

Continuation of the business of a dissolved company

Article 274

(1) (Supplemented, SG No. 58/2003) When the company is dissolved upon expiration of the time limit or upon decision of the competent company bodies, the latter may decide to continue its business, unless the distribution of the property has started. This provision shall apply also upon dissolution of a limited liability company under Article 155, Item 3, as well as of a joint-stock company under Article 252, Paragraph 1, Item 6.
(2) The decision under Paragraph 1 shall be adopted:
1. for the joint-stock company, by a majority of at least 3/4 of the capital represented;
2. for the other companies, unanimously.
(3) The liquidators shall apply for recording the decision to continue the company’s business in the Commercial Register.

Expedited winding-up proceedings

Article 274a

(New, SG No. 82/2024)
(1) Expedited winding-up proceedings of a company shall be conducted when the company is terminated by a resolution of the general meeting and/or with the consent of the partners. This also requires a resolution to conduct expedited proceedings, which shall be taken by the general meeting of a limited liability company, a joint-stock company and a company with variable capital, and for other commercial companies – unanimously by the unlimited partners, when the company:
1. has not carried out any activity or has ceased its activity more than 12 months ago;
2. has not hired workers or has terminated employment relationships with workers more than 12 months ago;
3. has had no registration under the Value Added Tax Act or has terminated its registration more than 12 months ago;
4. has not defaulted on any obligations to the State or the municipalities;

5. has no pending proceedings for establishing tax liabilities and obligations for compulsory social insurance contributions, to which the National Revenue Agency is a party;
6. is not a defendant in court proceedings, a debtor in enforcement or order for payment proceedings, or no enforcement has been initiated against it under the Registered Pledges Act or the Financial Collateral Arrangements Act.
(2) The company's property shall be distributed only when three months have passed from the date of announcing the notice to the creditors in the Commercial Register.
(3) The liquidators shall submit a declaration of the circumstances specified in Paragraph 1 when submitting an application for termination of the activity and liquidation.
(4) The liquidation rules set out in this Act shall apply to the expedited proceedings under Paragraph 1, insofar as no special rules are provided for.

Chapter Eighteen
COMBINATIONS
(Heading amended, SG No. 104/2007)

Section I
Consortium

Definition

Article 275
The consortium shall be a contractual combination of merchants to conduct specific business.
Applicable Provisions

Article 276
The rules applicable to a civil-law company or to the company, in the form of which the consortium has been organised, shall be applied accordingly to the consortium.

Section II
Holding company

Definition

Article 277
(1) A holding company shall be a joint-stock company, a partnership limited by shares or a limited liability company, the purpose of which is to own shares of other companies or be involved in their management in any form, with or without conducting its own manufacturing or sales business.
(2) At least 25 percent of the capital of a holding company must be invested directly in subsidiary companies.
(3) A subsidiary company shall be a company, in which a holding company owns or controls, directly or indirectly, at least 25 percent of the shares and may appoint, directly or indirectly, more than one-half of the members of the management board.
Business

Article 278
(1) The business of a holding company may be:

1. acquisition, management, valuation and sale of shares in Bulgarian or foreign companies;
2. acquisition, management and sale of bonds;
3. acquisition, valuation and sale of patents, licencing patents of companies, in which the holding company owns shares;
4. financing of companies, in which the holding company owns shares.
(2) The holding company may not:
1. own shares in a company, which is not a juridical person;
2. acquire licences, which are not intended for use by the companies, controlled by it;
3. acquire any real estate, which is not required for its operations. Shares in real-estate investment companies may be acquired.

Taxation of the holding business

Article 279

(Repealed, SG No. 59/1996).

Loans extended by the holding company

Article 280

(1) The holding company may extend loans only to companies, in which it directly owns shares or which it controls.
(2) The amount of the extended loans may not exceed 10 times the amount of the capital of the holding company.
(3) The amount of the deposits of the subsidiary companies and enterprises in the holding company may not exceed 3 times the amount of the capital.

Section III
(New, SG No. 104/2007)
European Economic Interest Grouping

Legal status

Article 280a

(New, SG No. 104/2007)

(1) A European Economic Interest Grouping, within the meaning given by Council Regulation (EEC) No. 2137/85 on the European Economic Interest Grouping (EEIG), hereinafter referred to as "Regulation (EEC) No. 2137/85," which has its registered office in the Republic of Bulgaria, shall be a juridical person and shall be incorporated as of the day of its recording in the Commercial Register. The members in the Republic of Bulgaria of European Economic Interest Groupings, which have a registered office in another State, shall also be recorded in the Commercial Register.
(2) Article 70 shall be applied accordingly to a European Economic Interest Grouping, recorded in the Republic of Bulgaria.
(3) The members of the Grouping, recorded in the Republic of Bulgaria, shall be liable for the obligations of the Grouping, according to the rules applicable to a general partnership, unless otherwise provided for in Regulation (EEC) No. 2137/85.
(4) The registered office of the Grouping may not be relocated to another State, when the Grouping owns land in the Republic of Bulgaria. This prohibition shall apply in accordance with the conditions arising out of the accession of the Republic of Bulgaria to the European Union.

Dissolution

Article 280b
(New, SG No. 104/2007)
(1) A European Economic Interest Grouping may be dissolved on the grounds provided for in Article 32 of Regulation (EEC) No. 2137/85 by the district court, having jurisdiction over its registered office. The Grouping may alternatively be dissolved by the court and upon an indictment brought in by the public prosecutor, when the business of the Grouping violates the public order in the Republic of Bulgaria.
(2) Bankruptcy proceedings, according to Part Four, may be initiated for a European Economic Interest Grouping, however, Article 610 shall not apply to the members thereof.
(3) When a member of the Grouping with a registered office in the Republic of Bulgaria is in liquidation or is declared bankrupt, the membership in the Grouping thereof shall be terminated by the liquidator or, respectively, the trustee in bankruptcy.

Chapter Nineteen
(New, SG No. 104/2007)
EUROPEAN COMPANY

Incorporation

Article 281
(Repealed, SG No. 42/2005, new, SG No. 104/2007)
(1) A European company, within the meaning given by Council Regulation (EC) No. 2157/2001 on the Statute for a European company (SE), hereinafter referred to as "Regulation (EC) No. 2157/2001," with a registered office in the Republic of Bulgaria shall be incorporated through a merger or transformation of a joint-stock company with a registered office in the Republic of Bulgaria into a European company and shall be recorded in the Commercial Register.
(2) The registered office of a European company under Paragraph 1 shall be the residential area where the management of the activity thereof is located.
(3) A European company with a registered office in another Member State may not be incorporated through merger, when a transforming company with a registered office in the Republic of Bulgaria owns land. A European company with a registered office in the Republic of Bulgaria, which owns land, may not relocate its registered office to another Member State. This prohibition shall apply in accordance with the conditions arising out of the accession of the Republic of Bulgaria to the European Union.
Auditor

Article 282
(Repealed, SG No. 42/2005, new, SG No. 104/2007)
(1) When one company with a registered office in the Republic of Bulgaria is involved in the incorporation of a European company through merger, the registrar with the Registry Agency shall appoint an auditor - independent expert under Article 22, paragraph 1 and Article 32, paragraph 4 of Regulation (EC) No. 2157/2001.
(2) Upon transformation of a joint-stock company with a registered office in the Republic of Bulgaria into a European company or of a European company with a registered office in the Republic of Bulgaria into a joint-stock company, the registrar with the Registry Agency shall

appoint an auditor - independent expert under Article 37, paragraph 6 and Article 66, paragraph 5 of Regulation (EC) No. 2157/2001.
(3) Article 262k, Paragraph 3 shall apply as well in the cases under Paragraphs 1 and 2.
Dissolution

Article 283
(Repealed, SG No. 19/2003, new, SG No. 104/2007)
A European company shall be dissolved by a decision of the court, having jurisdiction over the registered office thereof, upon request by the public prosecutor, if the Company no longer meets the requirements of Article 7 of Regulation (EC) No. 2157/2001. The Company shall be dissolved only if the violation is not rectified within a specified time limit set by a court decision.

Chapter Twenty
ADMINISTRATIVE PENALTY PROVISIONS

Violations and fines

Article 284
(1) (Amended, SG No. 103/1993, supplemented, SG No. 84/2000, repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
(2) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006).
(4) (New, SG No. 84/2000; supplemented, SG No. 38/2006, effective 1.07.2007 - amended, with regard to coming into force, SG No. 80/2006, supplemented, SG No. 104/2007) A fine of BGN 100 to BGN 500 shall be imposed upon any person obliged hereunder, but failing to indicate the details under Article 13 in their business correspondence and on its website, if it has one. The same penalty shall also be imposed on any person failing to indicate the details under Article 25 of Regulation (EEC) No. 2137/85.
(5) (New, SG No. 101/2010, supplemented, SG No. 66/2023) A fine between BGN 100 and 500 shall be imposed on any and all persons which have failed to perform their obligations under Article 179, Paragraph 2 and Article 260g, Paragraph 2.
(6) (Renumbered from Paragraph 4, SG No. 84/2000, renumbered from Paragraph 5, amended, SG No. 101/2010) The violations shall be established by notices, created by officials designated by the executive director of the Registry Agency, and the penal orders shall be issued by the executive director of the Agency or officials authorised by them.
(7) (New, SG No. 101/2010) The violations shall be established and the penal orders shall be issued, appealed and enforced under the procedure of the Administrative Violations and Sanctions Act.

Article 285
(New, SG No. 103/1993) (1) For non-performance of the obligation under Article 7, Paragraph 3, a fine or, respectively, a pecuniary penalty to the amount of BGN 50 shall be imposed on the merchant.
(2) The notices on the established violations shall be created by the mayors of the residential areas and the penal orders shall be issued by the mayors of municipalities or persons designated by them.

(3) The violations shall be established and the penal orders shall be issued, appealed and enforced under the procedure of the Administrative Violations and Sanctions Act.

PART THREE
(New, SG No. 83/1996)
COMMERCIAL TRANSACTIONS

Chapter Twenty-One
GENERAL

Section I
General provisions

Definition of a commercial transaction

Article 286

(1) Any transaction concluded by a merchant in relation to their business shall be a commercial transaction.

(2) The transactions under Article 1, Paragraph 1 shall also be commercial transactions, regardless of the capacity of the persons concluding them.

(3) In case of doubt, the transaction concluded by the merchant shall be considered to be in relation to their business.

Applicability of the provisions on the commercial transactions

Article 287

The provisions on the commercial transactions shall apply to both parties, if the transaction is commercial for one of the parties, unless otherwise provided for herein.

Sources

Article 288

The provisions of civil legislation shall apply to any matters of commercial transactions not regulated herein, and when the civil legislation is incomplete, the business customs shall apply. Upon differences of the business customs, the business customs at the place of performance shall apply.

Abuse of right

Article 289

No right based on a commercial transaction may be exercised with the sole intention of causing injury to the other party.

Section II
Conclusion of a commercial transaction

Public notice

Article 290

(1) Catalogues, pricelists, rates and the like, as well as communications though the mass media or otherwise addressed to an indefinite number of persons, shall be considered notices to make an offer in accordance therewith.
(2) If the offer under Paragraph 1 is unreasonably declined, the person providing the notice shall be liable for any damages caused thereby to the offeror.

Public offer

Article 291

An offer to conclude a transaction may also be addressed to an indefinite number of persons, including through the mass media. It must contain both the total quantity offered and the time limit to accepting the offer. In this case the offeror shall be bound until the quantity is exhausted within the specified time limit.

Tacit acceptance

Article 292

(1) The offer to a merchant, made by a person having long-term business relations therewith, shall be considered accepted if not immediately declined.
(2) If the offer is declined under Paragraph 1, the merchant shall keep the shipment safe, at the expense of the offeror, unless the merchant is indemnified against the expenses or the safekeeping causes undue inconvenience thereto.

Form

Article 293

(1) The validity of the commercial transaction shall require a written or other form only in the cases provided for by a law.
(2) The statement on the conclusion, performance or termination of the commercial transaction shall be invalid, if it is not made in the form established by a law or by the parties.
(3) The party may not claim such invalidity, if its behaviour implies that it has not contested the validity of the statement.
(4) The written form shall be deemed complied with, if the statement has been technically recorded in a reproducible manner.
(5) For the statements, made by telefax or telex, the written form shall be deemed complied with, if the records, reflecting the operation of these devices, rule out incorrect reproduction of the statement.
(6) When a specific form has been provided for the conclusion of the commercial transaction, this form shall also apply to any amendments and supplements to the transaction.

Interest

Article 294

(1) Interest shall be due between merchants, unless agreed upon otherwise.
(2) Interest on interest shall be due only if agreed upon.

Authorisation or approval by a governmental authority

Article 295

(1) When the validity of a commercial transaction requires an authorisation or approval by a governmental authority, the transaction shall have effect as of the granting thereof.

(2) The party under obligation to request such authorisation or approval must make immediately the reasonable effort and bear the costs related thereto, as well as inform the other party of the result.

Confirmation by a third party

Article 296

(1) If the transaction has been concluded subject to confirmation by a third party, it shall have effect upon the confirmation thereof.

(2) The party under obligation to obtain the confirmation must inform immediately the other party of the result.

(3) When, within three months after the conclusion of the transaction, the other party has not been informed of the result, it may decline the transaction, unless another time limit has been agreed upon.

Extreme necessity

Article 297

A commercial transaction concluded between merchants may not be invalidated on the grounds of extreme necessity and patently unfavourable terms.

Commercial transactions under general terms

Article 298

(1) A merchant may specify in advance general terms for the transactions concluded thereby. These terms shall become binding upon the other party, when it:

1. declares its acceptance thereof in writing;

2. is a merchant and has been or should have been aware thereof and has failed to object thereto immediately.

(2) If a written form has been provided for the validity of a transaction, the general terms specified by the merchant shall be binding upon the other party only if they have been submitted thereto at the conclusion of the transaction.

(3) In the event of conflict between the agreement by the parties and the general terms, the agreement shall have effect.

Arrangements specified by third parties

Article 299

(1) When the parties have provided for certain arrangements to be specified by a third party, these arrangements shall become binding upon the parties only if the third party has specified the arrangements consistent with the purpose of the contract, the remaining contents thereof and the business customs.

(2) If the third party does not specify or specifies these arrangements inconsistent with Paragraph 1, either party may request the arrangements to be specified by the court.

Supplementing the contract by the court

Article 300

When the parties agree to supplement the contract upon the occurrence of certain circumstances, and if they fail to reach agreement in the event of such occurrence, either party may request the court to supplement the contract. When rendering its decision, the court shall take into consideration the purpose of the contract, the remaining contents thereof and the business customs.

Actions without representative authority

Article 301

When a person acts on behalf of a merchant without representative authority, it shall be presumed that the merchant confirms these actions, unless the merchant objects immediately upon becoming aware thereof.

Section III
Performance

Due care

Article 302

A debtor in a transaction, which is commercial with respect to them, shall exercise the care of a prudent businessman.

Term

Article 303

When the contract does not specify a time limit for performance of the obligation, provided the nature of the transaction or the business customs do not require otherwise, the obligation may be requested to be performed at any time during business hours at the place of performance.

Time limit for payables

Article 303a

(New, SG No. 20/2013)

(1) The parties to a commercial transaction may agree a time limit for a payable not exceeding 60 days. In exceptional cases, a longer time limit may be agreed upon, when required by the nature of the product or service or for another important reason, if this does not patently infringe upon the creditor's interest and is not contrary to good morals.

(2) When the debtor is a public contracting authority, the parties may agree upon a time limit for a payable not exceeding 30 days. In exceptional cases, a longer time limit may be agreed upon, in any case not exceeding 60 days, when required by the nature of the product or service or for another important reason, if this does not patently infringe upon the creditor's interest and is not contrary to good morals.

(3) If no time limit for the payable is agreed upon, the payment must be made within 14 days after receiving an invoice or another payment notice. When the day of receiving the invoice or payment notice cannot be established, or the invoice or notice have been received prior to the receipt of the product or service, the time limit shall start on the day, following the day of receipt of the product or service, regardless of the fact that the invoice or payment notice has been issued earlier.

(4) When the contract or a law provides for inspection or acceptance of the product or service, the time limit under Paragraph 3 shall start at the time of acceptance or completion of the inspection, if the invoice or payment notice has been received earlier. The time limit for inspection or acceptance shall be 14 days after the receipt of the product or service. In exceptional cases, a longer time limit for inspection or acceptance may be agreed upon, when required by the nature of the product or service or for another important reason.

(5) The provisions of Paragraphs 1 - 4 shall not apply to:

1. payables under bills of exchange;
2. payables under initiated bankruptcy proceedings;
3. payable damages, including those covered by insurance.

(6) The rules under this Article shall also apply to any transactions, party to which are artisans, persons providing services through their own labour or freelancers.

Joint liability

Article 304

Persons, undertaking a joint obligation upon conclusion of a commercial transaction, shall be considered as jointly liable debtors, unless it follows otherwise from the transaction.

Non-cash payment

Article 305

(Amended, SG No. 31/2005)

When the payment is made by debiting and/or crediting a bank account, it shall be considered completed, when the creditor's account is credited or the amount of the creditor's payable is paid in cash.

Section IV
Non-performance

Force majeure

Article 306

(1) A debtor in a commercial transaction shall not be liable for non-performance due to force majeure. When the debtor was already in default, they may not invoke force majeure.

(2) A force majeure shall be an unforeseen or unavoidable event of an extraordinary nature which has occurred after the conclusion of the contract.

(3) The debtor, unable perform the obligation thereof due to force majeure, shall notify the other party in writing within a reasonable time about the nature of the force majeure and its potential consequences for the performance of the contract. In case of failure to notify, compensation shall be due for the damages resulting from such failure.

(4) The performance of the obligations and the related counter obligations shall be suspended for the duration of the force majeure.

(5) If the duration of the force majeure makes the creditor no longer interested in the performance, the creditor may terminate the contract. The debtor shall also have the same right.

Business contradiction

Article 307

The court may, upon request by a party, amend or terminate the contract, in full or in part, when circumstances, which the parties have not been able and bound to foresee, have occurred and the preservation of the contract is contrary to fairness and good faith.

Earnest payment

Article 308

(1) When, upon the conclusion of a contract, one of the parties has provided or promised to provide some security in the event it later reneges, that party may withdraw from the contract, if the performance thereof has not started. The reneging party shall make the earnest payment or forfeit it, if the party has provided it upon conclusion of the contract.

(2) When the contract is performed, the earnest payment shall be returned or deducted. It shall also be returned, if the contract is terminated by mutual consent.

Penalty

Article 309

The penalty, payable under a commercial transaction concluded between merchants, may not be reduced on the grounds of excessiveness.

Default

Article 309a

(New, SG No. 20/2013)

(1) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) When the creditor is performing and the debtor is in default, unless agreed upon otherwise, the creditor shall be entitled to a late charge in the amount of the legal interest accrued from the day of default and reimbursement of receivable collection expenses in the amount of no less than EUR 40, without notice required. The creditor may seek actual damages or collection expenses in a higher amount, in accordance with the general rules.

(2) When a deferred payment has been agreed upon, the remedies under Paragraph 1 shall be payable accordingly for the late instalments.

(3) Limitation of liability under Paragraphs 1 and 2 may be agreed upon only if this does not patently infringe upon the creditor’s interest and is not contrary to good morals. Any limitation of liability shall be invalid, when the debtor is a public contracting authority.

Section V
Commercial securities

Commercial pledge

Article 310

(1) A commercial pledge contract, securing rights arising out of a commercial transaction, shall be considered concluded:

1. when movable property and bearer security is pledged - upon its handover to the creditor or to another person at the creditor’s expense;
2. when a security drawn to order is pledged - by endorsement for security and upon its handover to the creditor.

(2) The creditors shall be entitled to pledges in the cases provided for herein.

(3) With the transfer of the secured receivable, the pledge shall be considered transferred upon the handover of the pledged object, unless the transferor has agreed to hold it as another person within the meaning of Paragraph 1, Item 1.

Satisfaction of the pledge creditor

Article 311

(1) When the pledge contract has been concluded in writing with a valid date and the parties have agreed that, if the debtor is in default, the satisfaction from the pledge may proceed without court intervention, the creditor shall be free to sell the pledged property or security, if it has a market or an exchange price. The creditor shall immediately notify the pledger of the sale and pay them the remainder of the received price.

(2) The creditors under Article 310, Paragraph 2 shall also have the rights under Paragraph 1.

Pledge without handover

Article 312

In the cases and under the procedure, specified by law, the pledger may retain the pledged property.
Pledge of perishables

Article 313

If the pledged property is perishable, the creditor may sell it, if the property has a market or an exchange price, and deposit the proceeds in a bank as creditor's security. The creditor must notify the pledger immediately of the sale.
Deducting the fruit of the pledged property

Article 314

When the pledged property bears fruit, the pledge contract may provide for the right of the creditor to harvest the fruit against the payable.
Merchant's right of retention

Article 315

(1) The merchant may retain, against the merchant's due receivable from another merchant under a transaction concluded between them, any lawfully received movable property and securities of the debtor. This right shall exist as long as the merchant has the movable property and securities in their possession.
(2) The right of retention shall also exist when:
1. the ownership of the property has been transferred to the creditor, but the creditor must transfer it back;
2. the ownership of the property has been transferred to a third party, with regard to the debtor to the creditor, but the creditor should have transferred it back to the debtor.
(3) The right of retention shall also have effect vis-a-vis the third parties, as long as the creditor's objections against the debtor's claim to the property handover have effect vis-a-vis the third parties.
(4) The right of retention shall lapse, if the debtor has ordered otherwise prior to the property handover or the creditor has undertaken to dispose of the property in a particular manner.
(5) The right of retention may also be exercised for undue receivables:
1. if bankruptcy proceedings have been initiated against the debtor;
2. upon failed enforcement against the debtor.
(6) The right of retention shall be reserved, if the debtor has ordered otherwise prior to the property handover or the creditor has undertaken to dispose of the property in a particular manner, provided the creditor has become aware of the circumstances under Paragraph 5 after the property handover.

Section VI
Transfer of rights

Transfer of securities drawn to order

Article 316

(1) Any instruction, drawn to order, addressed to a merchant to pay money, hand over securities or other fungibles, wherein the performance is not conditional upon counter-performance, may be transferred by endorsement. This shall also apply to any liability documents, drawn to order, by a merchant for property of the specified type, wherein the performance is not conditional upon counter-performance.
(2) Bills of lading, waybills, warehouse warrants, notes for marine loans and transport insurance policies, may be transferred by endorsement, when drawn to order.
Effect of the endorsement

Article 317

(1) An endorsement transfers all the rights arising out of the endorsed security.
(2) The debtor shall be bound to perform only upon handover of the security, with an indication thereon that the payable, for which it has been issued, has been paid.
(3) The provisions for bills of exchange shall be applied accordingly to the form of the endorsement, the identification of the possessor and the verification of identification, as well as to the obligation of the possessor to hand over the security.

Chapter Twenty-Two
COMMERCIAL SALE

Section I
General

Definition

Article 318

(1) Commercial shall be the sale which constitutes a commercial transaction under the provisions hereof.
(2) The sale of an item for personal use, when the buyer is a natural person, shall not be a commercial sale.

Time limit for handover

Article 319

When no time limit has been agreed for the handover of the goods, the buyer may demand it to be handed over within a reasonable time limit.

Obligation for notification

Article 320

When it has been agreed that the goods will be accepted at the warehouse of the seller, the parties shall determine within what time limits and in what manner the seller must notify the buyer that the goods are ready for handover. When that has not been determined, the notification shall be at least three days prior to the handover date or, if the parties are located in different residential areas, at least five days prior to that date.

Documents on the goods

Article 321

Upon request of the buyer, the seller shall issue an invoice and any other documents as agreed upon between the parties.

Service

Article 322

The seller shall provide the necessary aftersales service according to the business practice, unless agreed upon otherwise.

Compensation

Article 323

If the sale is cancelled and, within a reasonable time limit after the cancellation, the buyer has purchased replacement goods or the seller has resold the goods, the party seeking compensation shall be entitled to the difference between the sale price and replacement transaction price, as well as to compensation.

Inspection of the goods

Article 324

(Amended, SG No. 20/2013)

The buyer shall inspect the goods and, when the goods do not meet the requirements, shall immediately notify the seller. If the buyer fails to do so, the goods shall be considered approved in compliance with the requirements, except for hidden defects.

Obligation for keeping

Article 325

(1) If the buyer declines to accept goods shipped from another location, the buyer shall keep it with the care of a prudent businessman for a reasonable time required by the seller to provide instructions. If the seller delays to provide instructions, the buyer may hand the goods over to a third party for keeping, notifying the seller thereon.

(2) If the goods are perishable or their keeping involves significant expenses or inconveniences, the buyer may sell it at the expense of the seller.

(3) When no instructions have been provided under Paragraph 1, the buyer shall be liable only for intentional damage or gross negligence.

Setting the price

Article 326

(1) The price shall be set by the parties upon conclusion of the contract.

(2) When the price has not been set and there is no agreement as to how to set it, it shall be considered that the parties have agreed to the price usually paid upon conclusion of sale of the same type of goods under similar circumstances.

(3) When the price is calculated based on the weight of the goods, the tare shall be deducted. This rule shall furthermore apply when substances other than the goods are used for the preservation of the goods.

Time of payment

Article 327

(1) The buyer shall pay the price upon the handover of the goods or of the documents entitling the buyer to receive the goods, unless agreed upon otherwise.

(2) If the seller has undertaken to ship the goods, the seller may require the goods to be shipped only when the price is paid or evidence on the payment thereof is presented.

(3) (New, SG No. 20/2013) The general rules of Chapter Twenty-One shall be applied accordingly to the time limits for payment.

Delay of receipt

Article 328

(1) When the buyer delays the receipt of goods, the seller may:

1. hand over the goods for safekeeping;
2. sell the goods at market prices or at a public auction, after notifying the buyer thereof and informing them of the time and place of the sale or auction;
3. sell any perishable goods without notice.

(2) The handover for safekeeping and the sales under Paragraph 1 shall be at the expense and risk of the buyer.

Section II
Special rules for some sales

Transit sale

Article 329

(1) The parties may agree the seller to hand over the goods to a third party indicated by the buyer.
(2) The seller shall notify the buyer on the shipment of the goods to the third party and send the buyer copies of the documents accompanying the goods.
(3) The price may be paid by the third party.

Allocation of the handover-related expenses

Article 330

(1) If goods have to be shipped to a location other than the handover location, the shipping and handling thereto shall be at the expense of the buyer.
(2) It shall be assumed that the shipping and handling shall be at the expense of the seller, if another handover location has been agreed upon beforehand.
(3) The shipping and handling expenses, as well as any allocation of other expenses related to the performance of the contract, may be set by reference to general terms, created by international and other institutions.

Sale with additional specification

Article 331

The parties may agree upon a time limit, during which the buyer shall detail the specification of the sale. If the buyer delays to do so, the seller may either do so or terminate the contract.

Scheduled sales

Article 332

In scheduled sales, if the parties have agreed that the seller may deliver ahead of schedule, any surplus delivered within the previous period shall be deducted from the deliverable.

Sale with a buyback option

Article 333

The sale with a buyback option must be made in writing and with a set time limit to exercise the buyback option. The buyback option shall expire after the time limit.

Sale with advance payment of the price

Article 334

Any advance payment arrangement must be made in writing. If the seller fails to handover the goods, the seller shall owe interest accrued from the reception of payment. In this case, the price paid shall be considered earnest payment.

Sale in instalments

Article 335

(1) The sale in instalments shall be valid if made in writing.
(2) The failure to pay instalments not exceeding one-fifth of the price of the goods, shall not be grounds to terminate the contract.

(3) If the sale is terminated due to non-performance by the buyer, the seller may claim compensation.

Sale by assignment of a security

Article 336

In the case of sale of goods by assignment of a security, the seller shall be relieved of the obligation to handover the goods upon assigning the security to the buyer. The buyer shall be bound to pay the price immediately and at the point of handover of the documents, unless agreed upon otherwise.

Section III
Sale at a public auction with open bidding

Public availability

Article 337

The seller shall make the auction terms publicly available by announcement in at least one daily newspaper.

Binding force of the bid

Article 338

The bidder shall be bound by their bid under the auction terms.

Assignment of the goods

Article 339

The auctioneer shall assign the goods to the highest bidder. The sale shall be considered concluded by assignment of the goods.

Payment

Article 340

The buyer shall pay the price immediately, unless otherwise provided for in the auction terms. The seller may cancel the contract, if the buyer fails to fulfil this obligation.

Invalidation of the sale

Article 341

An auction sale, concluded as a result of actions contrary to the law or good morals, may be invalidated upon request by any stakeholder within ten days after the assignment. Upon claim to pay the price, the buyer may contest the sale and request its invalidation.

Chapter Twenty-Three
LEASING CONTRACT

Definition

Article 342

(1) Under a leasing contract, the lessor undertakes to provide property for use against payment.

(2) Under a financial leasing contract, the lessor undertakes to obtain property from a third party under terms, specified by the lessee, and to provide that property to the lessee for use against payment.

(3) The lessee may acquire the property during the term of the contract or after the expiration thereof.

Risk

Article 343

In financial leasing, the lessee shall bear the risk of accidental destruction or damage to the property.

Obligations of the lessor

Article 344

(1) The lessor shall have the obligations of landlord pursuant to Article 230 of the Obligations and Contracts Act.

(2) In financial leasing, the lessor shall transfer its rights vis-a-vis the third party simultaneously with the transfer of title over the property.

Obligations of the lessee

Article 345

(1) The lessee shall have the obligations of tenant pursuant to Article 232 and Article 233, Paragraph 2 of the Obligations and Contracts Act, as well as the obligation to return the property upon expiration of the term of the contract.

(2) The maintenance of the property shall be at the expense of the lessee.

Subleasing

Article 346

The lessee may sublease the property with the consent of the lessor.

Reference

Article 347

(1) The rules of this Chapter shall also be applied accordingly to leasing of an enterprise.

(2) (Amended, SG No. 92/2007) The rules of the rental agreement shall be applied accordingly to the leasing contract, with the exception of Article 229, Paragraph 3, Article 231, Paragraph 1 and 2, Article 233, Paragraph 1, Article 235, Article 236, Paragraph 1, Articles 237, 238 and 239 of the Obligations and Contracts Act.

Chapter Twenty-Four
COMMISSION CONTRACT

Definition

Article 348

(1) Under a commission contract, the agent undertakes, against remuneration and by order of the principal, to execute one or more transactions on the agent’s behalf and at the expense of the principal.

(2) The provisions of the order contract shall be applied accordingly to the relationships between the principal and the agent, unless otherwise provided for in this Chapter.

Effect

Article 349

(1) Under the transaction concluded with a third party to execute the order, the rights and obligations shall also arise for the agent even if the agent has informed the third party of the name of the principal.
(2) The rights, acquired by the agent or granted thereto by the principal, shall be deemed, with respect to the agent's creditors, rights of the principal even before their transfer thereto.
(3) The agent shall fulfil the obligations and exercise the rights, arising out of the transaction with the third party.
(4) The principal may exercise the rights and may be compelled to meet the obligations towards a third party only after the transfer thereof by the agent.

Obligations of the agent

Article 350

(1) The agent must execute the order with the care of a prudent businessman.
(2) If the agent executes the order on more favourable terms than the ones set by the principal, any benefit shall be for the principal.
(3) In the case of receipt of goods from another location, the agent must inspect the goods immediately after receipt, and, upon identifying any discrepancies or missing items, shall immediately notify the principal and furnish the respective evidence.
(4) Upon any changes, which would depreciate the goods, and not enough time to wait for principal's instruction or a delay thereof, the agent may also sell the goods for a price, lower than the one set by the principal, to avoid greater damages to the principal.
(5) The agent shall insure the goods received from the principal or from the third party under the executive transaction, if the principal has so instructed.

Deviation from the order

Article 351

(1) If the agent deviates from the order, the principal shall not be bound to recognise the transaction as performed at the principal's expense and may claim compensation. This rule shall not apply, when the deviation has been made in the interest of the principal and the agent has been unable to request in advance new instructions from the principal or has not received a timely response to their request.
(2) The agent, selling at a price lower or buying at a price higher than the one set by the principal, must immediately notify the principal thereon. If the principal does not immediately cancel the transaction, it shall be deemed that they have approved it.
(3) When the agent states that they shall bear the difference in prices, the principal may not cancel the transaction.
(4) The principal may not cancel the transaction, even when the agent has not expressed readiness to bear the difference in prices, if the agent proves that it has been impossible to conclude the transaction at the price set by the principal and that, by concluding the transaction, the agent has prevented greater damages to the principal.

Notification of the principal

Article 352

(1) If the third party fails to fulfil its obligations or damages are caused by anyone to the property, acquired or held by the agent at the expense of the principal, the agent shall immediately notify the principal and provide the necessary evidence.

(2) The principal, upon receiving notice that the third party has violated its obligations under the executive transaction, may request the agent immediately to transfer the agent's rights towards the third party to the principal.

Transaction on credit

Article 353

The agent, authorised to conclude a transaction on credit, shall be liable before the principal for the performance of the obligations by the third party, provided they have been or should have been aware that the third party is unable to pay.

Del credere commission contract

Article 354

When the agent has provided guarantee to the principal for the obligation of the third party, the agent shall be jointly liable with the third party and shall be entitled to separate remuneration.

Accountability

Article 355

The agent shall be accountable and shall transfer the results of the executive transaction to the principal.

Obligations of the principal

Article 356

(1) The principal shall accept the results of the executive transaction from the agent, inspect the goods acquired for the principal and notify the agent immediately of any discrepancies or missing items, as well as assume the obligations, assumed by the agent towards the third party.

(2) The principal shall reimburse the expenses incurred to execute the order and the agreed-upon remuneration to the agent. When no remuneration has been agreed upon, the customary remuneration shall be payable.

Pledge right of the agent

Article 357

The agent shall be entitled to a pledge on the property acquired thereby at the expense of the principal or handed over thereto by the principal.

Party to the executive transaction

Article 358

(1) When the order is for a purchase or sale of goods or securities, having market or exchange prices, the agent may declare that they are personally selling to, or buying from, the principal the goods or securities at these prices. In this case the amount of the remuneration shall be reduced by half.

(2) The agent shall be considered to be party to the sale, if they have notified the principle on the execution of the order, without indicating a third party.

Refusal by the agent

Article 359

(1) Unless otherwise provided for in the contract, the agent may not refuse to execute the accepted order, except in the case of termination of the contract due to non-performance by the principal. The contract shall be terminated in writing and shall remain in force for two weeks after the date, on which the principal has received the agent's notice on the refusal to execute the order.

(2) If the agent refuses to execute the accepted order due to a violation of the commission contract by the principal, the agent shall be entitled to a commission and to compensation for any expenses made.
(3) The principal, who has been notified of the refusal of the agent to execute the order, shall, within one month after the date, on which the principal has been notified on the refusal, dispose of the principal's property held by the agent.
(4) If the principal fails to dispose of the property held by the agent within this time limit, the agent may either place the property in safekeeping at the expense of the principal, or sell the property at the best available prices for the principal, in order to cover the agent's claims against the principal.
Withdrawal of the order

Article 360

If the principal withdraws the order in full or in part, before the agent has concluded the respective transactions with third parties, the principal shall pay the agent the remuneration and reimburse the agent for any expenses related to the transactions concluded thereby prior to the withdrawal. In such case, the principal shall have the obligation under to Article 359, Paragraph 3.

Chapter Twenty-Five
FORWARDING CONTRACT

Definition

Article 361

(1) Under a forwarding contract, the forwarding agent shall, against remuneration, conclude a cargo transportation contract on behalf of the forwarding agent and at the expense of the principal.
(2) The provisions for the commission contract shall be applied accordingly to all matters not regulated by this Chapter.
Forwarding agent - carrier

Article 362

The forwarding agent may carry out the transportation, in full or in part, on their own. In this case, they shall have the rights and obligations of the carrier as well.
Multiple forwarding agents

Article 363

The forwarding agent may assign to subsequent forwarding agents the actions under Article 361, even without being empowered to do so by the principal.
Obligations for notification

Article 364

(1) The principal shall notify the forwarding agent about any specifics of the cargo.
(2) If the packing of the cargo is inappropriate for the transportation, the forwarding agent shall notify the principal thereon.
Compliance with the principal's Instructions

Article 365

(1) The forwarding agent shall comply with the principal's instructions on the route, direction and mode of transportation, as well as on the selection of carriers and subsequent forwarding agents.

(2) If the forwarding agent deviates from the principal's instructions, the forwarding agent shall be liable for the damages, unless the forwarding agent proves that the damages would have occurred even if the instructions have been adhered to.

Period of prescription

Article 366

The claim for damages under the forwarding contract shall lapse after a one-year period of prescription.

Chapter Twenty-Six
CONTRACT OF CARRIAGE

Definition

Article 367

Under the contract of carriage, the carrier shall, against remuneration, transport a person, luggage or cargo to a defined location.

Obligations of the carrier

Article 368

(1) The carrier shall carry out the transportation within the specified time limit, protect the cargo from its acceptance to its handover, notify the consignee about the arrival of the cargo and hand over the cargo thereto at the point of destination.

(2) When no consignment note has been issued, the carrier shall follow the instructions of the consignor about the return of the cargo or its handover to another person, if the carrier has not handed over the cargo or the bill of lading.

Obligations of the carrier for transportation of passengers

Article 369

The carrier shall provide the appropriate comfort and security to the passenger, in accordance with the type of vehicle and the distance.

Obligations of the consignor

Article 370

(1) The consignor shall hand over the cargo to the carrier in a condition fit for transportation, depending on its type and the special requirements for the various types of cargo.

(2) The consignor also shall hand over to the carrier, together with the cargo, all documents required for the cargo to reach the consignee.

(3) When the packing is obviously inappropriate, the carrier may accept the cargo, provided the consignor declares in writing that any damages that may occur shall be at the consignor's expense.

Consignment note

Article 371

(1) The consignor may request the carrier to issue a consignment note thereto for the cargo handed over, which may also be drawn to order.

(2) When a consignment note has been issued, the cargo shall be handed over to the legally identified bearer of the note.

Freightage

Article 372

(1) The consignor shall pay the freightage upon the conclusion of the contract, unless agreed upon otherwise.

(2) When freightage has not been paid by the consignor, it shall be paid by the consignee upon acceptance of the cargo.

Liability for missing and damaged cargo

Article 373

(1) The carrier shall be liable for any lost, destroyed or damaged cargo, except when the damages are due to force majeure, the properties of the cargo or apparently inappropriate packing, if the consignor has declared their consent under the procedure of Article 370, Paragraph 3.

(2) Under the terms of Paragraph 1, the carrier shall be liable for the damages due to delays in the transportation.

(3) The disclaimer arrangement under Paragraphs 1 and 2 shall be invalid.

(4) If lost cargo, for which the consignee has been compensated, is found, the carrier shall notify the consignee thereon in writing, after taking the necessary measures to preserve it. If the consignee accepts the cargo, they shall reimburse the compensation received. If the consignee declines, the carrier shall be free to sell the cargo.

(5) After the cargo is received, the carrier shall be liable only if notified about damages not later than one month following the receipt.

Liability in case of subsequent carriers

Article 374

(1) When the carrier transports the cargo, in full or in part, with the involvement of other carriers, the carrier shall be liable for their actions until the cargo handover.

(2) Each subsequent carrier shall become party to the contract and must exercise the rights of the preceding carriers, as indicated in the contract of carriage. All carriers shall be jointly liable.

Right to Pledge

Article 375

The carrier shall be entitled to a pledge on the cargo for the receivables under the contract thereof. This right shall be exercised by the last carrier and shall exist until the rights of all carriers are satisfied.

Obligation to keep the cargo

Article 376

When it is not possible to find the consignee at the address indicated or if the consignee refuses to accept the cargo, the carrier shall either keep or hand over the cargo for keeping to another party, promptly notifying the consignor thereon. For perishable cargo, the rules for sale of the property upon delay of the creditor shall apply.

Transportation of luggage

Article 377

The rules for transportation of cargo shall be applied accordingly to transportation of luggage.

Period of prescription

Article 378

The claim for damages under the contract of carriage shall lapse after a one-year prescription period, which shall start:

1. for cargo - on the date it is handed over to the consignee, and when the cargo has not been handed over - on the date, on which it was supposed to be handed over;
2. for passengers - in the case of death or injury - on the date of occurrence or becoming aware thereof, but not later than three years.

Special rules

Article 379

The special rules for the separate types of transportation shall be governed by separate laws.

Chapter Twenty-Seven
(Repealed, SG No. 103/2005)
INSURANCE CONTRACT

Section I
General

Definition

Article 380

(Repealed, SG No. 103/2005).

Form

Article 381

(Repealed, SG No. 103/2005).

Pre-contract information

Article 381a

(New, SG No. 96/2002, repealed, SG No. 103/2005).

Payment of first premium

Article 382

(Repealed, SG No. 103/2005).

Obligation for declaration

Article 383

(Repealed, SG No. 103/2005).

Intentional incorrect declaration or concealment

Article 384

(Repealed, SG No. 103/2005).

Unintentional incorrect declaration

Article 385

(Repealed, SG No. 103/2005).

Declaration of newly occurred circumstances

Article 386

(Repealed, SG No. 103/2005).

Insurance premium

Article 387
(Repealed, SG No. 103/2005).
Prevention of damages

Article 388
(Repealed, SG No. 103/2005).
Obligation for notification

Article 389
(Repealed, SG No. 103/2005).
Insurance payment

Article 390
(Repealed, SG No. 103/2005).
Insurance interest

Article 391
(Repealed, SG No. 103/2005).
Period of prescription

Article 392
(Repealed, SG No. 103/2005).
Unseizability

Article 393
(Repealed, SG No. 103/2005).

Section II
Property insurance

Subject of contract

Article 394
(Repealed, SG No. 103/2005).
Conclusion of contract without authorization

Article 395
(Repealed, SG No. 103/2005).
Sum insured

Article 396
(Repealed, SG No. 103/2005).
Overinsurance

Article 397
(Repealed, SG No. 103/2005).
Underinsurance

Article 398
(Repealed, SG No. 103/2005).
Insurance benefit

Article 399
(Amended, SG No. 58/1997, repealed, SG No. 103/2005).
Partial destruction

Article 400
(Repealed, SG No. 103/2005).
Transfer of insured property

Article 401
(Repealed, SG No. 103/2005).
Subrogation into the rights of the assured

Article 402
(Repealed, SG No. 103/2005).
Insurance against transportation risks

Article 403
(Repealed, SG No. 103/2005).
Subscription insurance

Article 404
(Repealed, SG No. 103/2005).

Section III
Liability insurance

Definition

Article 405
(Repealed, SG No. 103/2005).
Notification

Article 406
(Repealed, SG No. 103/2005).
Direct claim

Article 407
(Repealed, SG No. 103/2005).
Settlement

Article 408
(Repealed, SG No. 103/2005).
Right of the insured

Article 409
(Repealed, SG No. 103/2005).

Section IV
Life and accident insurances

Subject of the contract

Article 410
(Repealed, SG No. 103/2005).
Sum insured

Article 411
(Repealed, SG No. 103/2005).
Insurance on the life of a third party

Article 412
(Repealed, SG No. 103/2005).
Mutual insurances

Article 413
(Repealed, SG No. 103/2005).
Life and accident insurance in favour of a third party

Article 414
(Repealed, SG No. 103/2005).
Right of the third party beneficiary

Article 415
(Repealed, SG No. 103/2005).
Risks excluded

Article 416
(Repealed, SG No. 103/2005).
Payment of the premium

Article 417
(Repealed, SG No. 103/2005).
Right to surrender

Article 418
(Repealed, SG No. 103/2005).

Chapter Twenty-Eight
CONTRACT FOR CURRENT ACCOUNT

Contents

Article 419
(1) Under a contract for current account, two persons, when at least one of them is a merchant, may agree the receivables and payables, arising out of their mutual relationships, to be kept under one account, which shall be periodically settled. The party, to the benefit of which a balance remains at the time of settlement, may claim the balance with interest accrued from the date of settlement of the account, even when interest is already included therein.
(2) The account shall be settled at the end of the calendar year, unless agreed upon otherwise, and shall be confirmed by the parties in writing. If the statement of any of the parties is invalid, the claim may be raised within one year after the statement is made.

(3) The contract for current account may be terminated by a one-month written notice, even before the settlement of the account, unless agreed upon otherwise, whereas the party with a balance to their benefit may demand its payment.

Chapter Twenty-Nine
BANKING TRANSACTIONS

Section I
Contract for bank deposit

Ordinary deposit

Article 420

(1) Under a contract for bank deposit, the bank shall keep certain bank notes, securities or other movable property submitted thereto, against a fee.
(2) The depositor may, at any time, demand the return of their deposited property, even when it has been agreed that the deposit shall continue for a certain period of time. In such a case, the depositor shall owe the fee only for the duration, for which the property has been kept, but shall reimburse to the bank the expenses incurred thereby with regard to the agreed-upon duration of the deposit.

Money deposit

Article 421

(1) In the case of a money deposit, the bank shall owe the deposited amount of money to the depositor in the same currency, with the agreed-upon interest.
(2) In the case of early withdrawal of amounts from a term money deposit, the termless deposit interest shall be applicable, unless agreed upon otherwise.

Documents for the deposit

Article 422

(1) For a money deposit, the bank shall issue to the depositor a document for all transfers to, and payments from, the deposit.
(2) Upon any differences between the bank’s records and the document issued by the bank to the depositor, the details in the issued document shall be considered correct, until proven otherwise.
(3) If the deposit document issued is lost, destroyed or stolen, the depositor shall immediately notify the bank in writing. The bank shall not be liable if, before the receipt of such notice, it has paid in good faith an amount to a person, apparently authorised to receive such amount based on unambiguous circumstances.

Authorisation

Article 423

A holder of a power of attorney may withdraw amounts from a money deposit, if the power of attorney has a notarised signature.

Security management

Article 424

A bank may undertake to manage the deposited securities by exercising the rights thereunder, unless agreed upon otherwise.

Conditional deposit and deposit to the benefit of a third party

Article 425

For a conditional deposit or a deposit to the benefit of a third party, if the condition does not materialise or the third party dies, the deposited money, securities or other movable property shall be returned to the depositor.

Section II
(Repealed, SG No. 23/2009, effective 1.11.2009)
Contract for a checking account

Article 426

(Repealed, SG No. 23/2009, effective 1.11.2009).

Article 427

(Repealed, SG No. 23/2009, effective 1.11.2009).

Article 428

(Repealed, SG No. 23/2009, effective 1.11.2009).

Article 429

(Repealed, SG No. 23/2009, effective 1.11.2009).

Section III
Contract for bank credit

Definition and form

Article 430

(1) Under a contract for bank credit, the bank shall provide to the borrower an amount of money for a certain purpose and under agreed terms and time limit, while the borrower shall use the amount as agreed upon and shall return it upon expiration of the time limit.
(2) The borrower shall pay interest on the credit, as agreed upon with the bank.
(3) The contract for bank credit shall be concluded in writing.

Required information

Article 431

The borrower shall provide the bank with the required information relevant to the conclusion and performance of the contract.

Prepayment

Article 432

(1) Except in the cases provided for in the contract, the bank may request early repayment of the amount under the credit, when:
1. the credit is not used for the purpose, for which it has been received;
2. the borrower provides false information;
3. the security becomes insufficient and is not replenished in due time after a notice;
4. the borrower fails to repay other loans to the bank due to financial distress.

(2) In the case under Paragraph 1, Item 4, the bank shall extend a sufficient time limit, before exercising its right for early repayment.

Section IV
(Repealed, SG No. 59/2006)
Documentary credit)

Definition

Article 433
(Repealed, SG No. 59/2006).
Rights and obligations

Article 434
(Repealed, SG No. 59/2006).

Section V
Letter of credit

Definition and form

Article 435
(1) The letter of credit shall be a unilateral written statement by a bank, whereby the bank undertakes to pay to the person indicated in the letter of credit the amount under the letter of credit, if that person presents to the bank, within the time limit under the letter of credit, the documents described therein and complies with the other conditions thereunder. The letter of credit shall come into force upon notification of the person.
(2) A bank may assign to another bank the receipt of documents, their verification, the compliance with the other conditions under the letter of credit and the payment of the amount.
(3) The verification of the documents shall be *prima facie*.
(4) Only the conditions specified in the letter of credit shall be relevant for the payment of the amount under the letter of credit.
(5) The obligations under the letter of credit shall be terminated upon the expiration of the time limit.
Irrevocability of the letter of credit

Article 436
Unless otherwise provided for in the letter of credit, it shall be considered irrevocable and may be revoked or amended only with the consent of the third party.
Revocable letter of credit

Article 437
The revocable letter of credit may be revoked unilaterally by the bank, before being executed.
Divisibility and non-transferability of letter of credit

Article 438
The letter of credit shall be divisible and non-transferable, unless otherwise provided for therein.
Confirmed letter of credit

Article 439

When an irrevocable letter of credit is confirmed by another bank, it shall undertake to pay on its own and directly the amount under the letter of credit.
Order contract and letter of credit

Article 440
The provisions of the order contract shall apply to the relationships between the principal and the bank, which has issued the letter of credit, as well as between the banks under the letter of credit.
Fee

Article 441
The principal shall owe a fee to the bank.

Section VI
Bank guarantee

Definition and form

Article 442
Under the bank guarantee, the bank undertakes in writing to pay to the person specified in the guarantee a certain amount of money under the conditions provided for therein.

Section VII
Bank collection. Documentary bank collection

Definition of the bank collection

Article 443
Under a contract for bank collection, the bank undertakes, for a fee, upon order by the principal, to collect the principal's receivable or take other collection action.
Definition of documentary bank collection

Article 444
Under a contract for documentary bank collection, the bank undertakes, for a fee, upon order by the principal, to hand over to another party documents, granting a right to dispose of goods, or other documents against payment, which the bank undertakes to collect, or against other collection actions.
Rights and obligations

Article 445
(1) The principal must reimburse to the bank the agreed-upon expenses.
(2) Upon performance of the bank collection and documentary bank collection, the bank shall be liable only for incorrect performance of the issued orders thereto. It shall not be obliged to verify the form and validity of documents.
(3) The bank using services of another bank to execute the order of the principal, shall do so at the expense of the principal.
Subsidiary applicable provisions

Article 446
Unless the circumstances indicate otherwise, the provisions of the order contract shall be applied accordingly to the bank collection and documentary bank collection.

Special provision

Article 447
The contracts for bank collection and documentary bank collection shall not be terminated upon the death of the principal.

Section VIII
(Repealed, SG No. 23/2009, effective 1.11.2009)
Bank transfer

Article 448
(Repealed, SG No. 23/2009, effective 1.11.2009).

Article 449
(Repealed, SG No. 23/2009, effective 1.11.2009).

Article 450
(Repealed, SG No. 23/2009, effective 1.11.2009).

Section IX
(Repealed, SG No. 59/2006)
Contract for bank safe deposit box

Definition

Article 451
(Repealed, SG No. 59/2006).
Prohibited objects

Article 452
(Repealed, SG No. 59/2006).
Rights of the bank upon default

Article 453
(Repealed, SG No. 59/2006).
Liability in the case of force majeure

Article 454
(Repealed, SG No. 59/2006).

Chapter Thirty
BILL OF EXCHANGE

Section I
General

Contents

Article 455

The bill of exchange shall contain:
1. the title "bill of exchange" in the text of the document in the language, in which the document is written;
2. unconditional order to pay a certain amount of money;
3. the name of the payer;
4. maturity;
5. place of payment;
6. the name of the person (payee), to whom or to whose order the amount must be paid;
7. date and place of issue;
8. signature of the drawer.

Incomplete contents

Article 456

(1) A document, which does not contain any of the details, indicated in Article 455, shall not be a bill of exchange, except in the cases specified in the Paragraphs below.
(2) A bill of exchange, in which no maturity has been specified, shall be deemed payable at sight.
(3) A bill of exchange, in which no place of payment has been specified, shall be deemed payable at the place indicated next to the name of the payer, which shall be assumed to be the domicile of the payer.
(4) A bill of exchange, in which no place of issue has been specified, shall be considered to be issued at the place specified next to the name of the drawer.

Bill of exchange, drawn to order of the drawer and against the drawer

Article 457

The bill of exchange may be drawn to order of the drawer, as well as against the drawer.

Place of payment

Article 458

(1) A bill of exchange may be payable at the place of residence of a third party, at the place of residence of the payer, or at another place.
(2) When the drawer has specified in the bill of exchange a place of payment other than the place of residence of the payer, without indicating a third party with whom the payment is to be made, the payer may specify this third party upon acceptance. It shall be assumed, unless agreed upon otherwise, that the payer has undertaken to pay personally at the place of payment specified in the bill of exchange.
(3) When a bill of exchange is payable at the place of residence of the payer, they payer may specify, upon acceptance, an address within the same residential area, where the payment is to be made.

Interest payable

Article 459

(1) In a bill of exchange payable on demand or within a certain time limit after presentation, the drawer may undertake to pay an interest payable on the amount. In any other bill of exchange, such payable shall be invalid.
(2) The interest rate must be specified in the bill of exchange.

(3) The interest shall accrue from the date of issue of the bill of exchange, unless another date is specified.

Differences in the amount

Article 460

(1) When the amount is written in the bill of exchange both in figures and in words, upon any difference, the amount written in words shall be valid.

(2) When the amount is written in the bill of exchange several times in words or in figures, upon any difference, the smallest amount shall be valid.

Validity of the signatures

Article 461

If a bill of exchange bears the signatures of persons, who may not undertake obligations under a bill of exchange, false signatures, signatures of non-existent persons or signatures, which, for some other reason, may not bind the persons, who have signed or on behalf of whom the bill of exchange has been signed, the obligations of the other signatories shall be valid.

Signature without representative authority

Article 462

A person, signing a bill of exchange as an agent without having representative authority or exceeding their authority, shall be personally liable under the bill of exchange, and, if they pay, they shall have the same rights as would have the represented person.

Liability of the drawer

Article 463

(1) The drawer shall be liable for the acceptance and payment of the bill of exchange.

(2) The drawer may be relieved from liability for the acceptance, but not from liability for the payment.

Blank bill of exchange

Article 464

If a bill of exchange, which has not been filled in at issue, is filled in inconsistent with the agreement, any non-performance of the agreement shall not have effect vis-a-vis the bearer, unless the bearer has acquired the bill of exchange in bad faith, or unless in acquiring it the bearer has been guilty of gross negligence.

Objections of the debtors

Article 465

Any objections of the debtors under the bill of exchange shall not have effect vis-a-vis the bearer, if such objections are based on their personal relationships with the drawer or some previous bearers, unless the bearer has acquired the bill in bad faith.

Section II
Endorsement

Transfer of bill of exchange

Article 466

(1) Any bill of exchange, even when not explicitly drawn to order, may be transferred by endorsement.

(2) When the drawer has written in the bill of exchange the words "not to order" or another phrase of equivalent meaning, the bill of exchange shall be transferred under the procedure for transfer of receivables.
(3) The bill of exchange may be endorsed to the payer, the drawer or any other person, who has undertaken obligations under the bill of exchange. Such persons may again endorse the bill of exchange.

Requirements

Article 467

(1) The endorsement may not be conditional.
(2) The partial endorsement shall be invalid.
(3) The endorsement to the bearer shall have the same effect as an endorsement in blank.

Form

Article 468

(1) The endorsement must be written on the bill of exchange or on a slip affixed thereto (allonge). It must be signed by the endorser.
(2) The endorsement may leave the beneficiary unspecified or may consist simply of the signature of the endorser (endorsement in blank). In order to be valid, the endorsement in blank must be written on the back of the bill of exchange or on the allonge.

Effect

Article 469

(1) The endorsement shall transfer all the rights arising out of the bill of exchange.
(2) In the case of an endorsement in blank, the bearer may:
1. fill up the blank either with their own name or with the name of some other person;
2. re-endorse the bill in exchange in blank, or to some other person;
3. transfer the bill of exchange to a third person without filling up the blank, and without endorsing it.

Liability of the endorser

Article 470

(1) The endorser shall be liable for the acceptance and payment of the bill of exchange, unless agreed upon otherwise.
(2) The endorser may prohibit subsequent endorsement. In this case, they shall not be liable before the persons, to whom the bill of exchange has been endorsed subsequently.

Bearer

Article 471

(1) The holder of a bill of exchange shall be deemed the lawful bearer, if their right arises out of an uninterrupted series of endorsements, even if the last endorsement is in blank. Cancelled endorsements are deemed not to be written (*non écrite*). When an endorsement in blank is followed by another endorsement, the person, who signed this last endorsement, is deemed to have acquired the bill of exchange by the endorsement in blank.
(2) When a person has been dispossessed of a bill of exchange, in any manner whatsoever, the holder, who establishes their right thereto in the manner mentioned in Paragraph 1, is not bound to give up the bill of exchange, unless the bearer has acquired it in bad faith, or unless in acquiring it the bearer has been guilty of gross negligence.

Endorsement by procuration

Article 472

(1) When an endorsement contains the statements "value in collection", "for collection", "by procuration" or any other phrase implying simple mandate, the holder may exercise all rights arising out of the bill of exchange, but they can only endorse it in their capacity as agent. In this case, the parties liable can only set up against the holder defences which could be set up against the endorser.

(2) The mandate contained in an endorsement by procuration does not terminate by reason of the death of the party giving the mandate or by reason of their becoming legally incapable.

Endorsement in security

Article 473

(1) When an endorsement contains the statements "value in security," "value in pledge" or any other statement implying a pledge, the holder may exercise the rights arising out of the bill of exchange, but an endorsement by the holder has the effects only of an endorsement by an agent.

(2) The parties liable cannot set up against the holder defences founded on their personal relations with the endorser, unless the holder, in receiving the bill, has knowingly acted to the detriment of the debtor.

Endorsement after maturity or protest

Article 474

(1) An endorsement after maturity has the same effects as an endorsement before maturity. Nevertheless, an endorsement after protest for non-payment, or after the expiration of the time limit for the protest, shall have effect only as a transfer of receivable.

(2) Failing proof to the contrary, an endorsement without date is deemed to have been placed on the bill of exchange before the expiration of the time limit for the protest.

Section III
Acceptance

Presentation for acceptance

Article 475

Until maturity, a bill of exchange may be presented to the payer for acceptance at the payer’s domicile, either by the bearer or the holder.

Instruction or prohibition for presentment

Article 476

(1) In any bill of exchange, the drawer may stipulate that it shall be presented for acceptance with or without setting a time limit for presentment. The drawer may also stipulate that presentment for acceptance shall not take place before a named date.

(2) Except in the case of a bill of exchange payable at the address of a third party or in a residential area other than that of the domicile of the payer, or, except in the case of a bill drawn payable at a set time limit after presentment, the drawer may prohibit presentment for acceptance.

(3) Unless the drawer has prohibited acceptance, every endorser may stipulate that the bill shall be presented for acceptance, with or without setting a time limit for presentment.

Time limit for presentment

Article 477

(1) Bills of exchange payable within a set time limit after presentment must be presented for acceptance within one year after their issue. The drawer may abridge or extend this time limit.
(2) The time limits under Paragraph 1 may be abridged by the endorsers.
Second-time presentment

Article 478

(1) The payer may demand that the bill of exchange shall be presented thereto a second time on the day after the first presentment. The stakeholders are not allowed to set up that this demand has not been complied with unless this request is mentioned in the protest.
(2) The bearer shall not be obliged to surrender to the payer the bill of exchange presented for acceptance.
Form of acceptance

Article 479

(1) The acceptance shall be written on the bill of exchange with the word "accepted" or any other equivalent term and shall be signed by the payer. The signature of the payer on the face of the bill of exchange shall constitute an acceptance.
(2) When the bill of exchange is payable within a certain time limit after presentment, or when it must be presented for acceptance within a certain time limit in accordance with a special stipulation, the acceptance must be dated as of the day when the acceptance is given, unless the holder requires that it shall be dated as of the day of presentment. If it is undated, the holder, in order to preserve their right of recourse against the endorsers and the drawer, must authenticate the omission by a protest.
Unconditional acceptance

Article 480

(1) The acceptance shall be unconditional.
(2) The payer may restrict the acceptance to part of the amount payable.
(3) Any other modification introduced by an acceptance into the contents of the bill of exchange shall constitute a refusal to accept, but the payer shall be bound according to the terms of their acceptance.
Effect of the acceptance

Article 481

(1) By acceptance, the payer undertakes to pay the bill of exchange at its maturity.
(2) In default of payment, the holder, even if they are the drawer, has a direct claim on the bill of exchange against the payer for all that can be demanded in accordance with Articles 505 and 506.
Revocation of acceptance

Article 482

(1) If the payer, who has put their acceptance on the bill of exchange, has cancelled it before returning the bill of exchange, the acceptance shall be deemed to be refused. Failing proof to the contrary, the cancellation shall be deemed to have taken place before the bill was returned.
(2) If the payer has notified their acceptance in writing to the holder or to any party, who has signed the bill, the payer shall be liable to such parties according to the terms of the acceptance.

Section IV
Bill of exchange "avals"

Definition

Article 483

The payment of the bill of exchange may be guaranteed by an "aval", in full or in part. The guarantee may be given by a third party or even by a person, who has signed as a party to the bill of exchange.

Form

Article 484

(1) The "aval" shall be given on the bill of exchange or on the allonge. It shall be expressed by the words "good as aval" or another phrase of equivalent meaning, and must be signed by the "aval".
(2) The signature on the face of the bill of exchange shall be considered to be of the giver of the "aval," unless it is the signature of the payer or the drawer.
(3) When the "aval" does not specify for whom it is given, it shall be deemed given for the drawer.

Liability of the giver of the "aval"

Article 485

(1) The giver of an "aval" shall be bound in the same manner as the person for whom they have become guarantor.
(2) The obligation of the guarantor shall be valid even when the liability, guaranteed by the guarantor, is invalid for any reason other than defect of form.
(3) The guarantor, paying the bill of exchange, shall have the rights arising out of the bill of exchange against the person guaranteed and against those, who are liable to the latter on the bill of exchange.

Section V
Maturity

Determination

Article 486

(1) The bill of exchange may be drawn payable:
1. at sight;
2. at a set time after sight;
3. at a set time after the issue;
4. on a named date.
(2) Any bill of exchange, issued at other maturities or payable by instalments, shall be invalid.

Bill of exchange at sight

Article 487

(1) The bill of exchange at sight shall be payable on presentment. It must be presented for payment within one year after its issue. The drawer may abridge or extend this time limit. The endorsers may abridge the time limits for presentment.
(2) If the drawer prescribes that a bill of exchange payable at sight must not be presented for payment before a named date, the time limit for presentment begins from the said date.

Bill of exchange payable at a set time after sight

Article 488

(1) The maturity of a bill of exchange payable at a set time after sight is determined either by the date of the acceptance or by the date of the protest.

(2) In the absence of the protest, an undated acceptance is deemed to have been given by the payer on the last day of the time limit for presentment for acceptance.

Interpretation of the time limits

Article 489

(1) When a bill of exchange is drawn at one or more months after the issue or after sight, the bill matures on the corresponding date of the month, when payment must be made. If there is no such corresponding date, the bill matures on the last day of this month.

(2) If the maturity is set at the commencement, in the middle or at the end of the month, the first, fifteenth or last day of the month is to be understood.

(3) The expression "half month" shall mean a period of fifteen days.

Applicable calendar

Article 490

(1) When the bill of exchange is payable on a specific date at a place where the calendar is different from the calendar at the place of issue, the day of maturity is deemed to be set according to the calendar of the place of payment.

(2) When the bill of exchange drawn between two places having different calendars is payable at a set time after the issue, the day of issue shall refer to the corresponding day of the calendar at the place of payment, and the maturity shall be set accordingly.

(3) The for presenting bills of exchange shall be calculated in accordance with the rules of Paragraphs 1 and 2.

(4) Paragraphs 1, 2 and 3 shall not apply if a stipulation in the bill of exchange or even the simple terms thereof indicate an intention to adopt some different rule.

Section VI
Payment

Time limit for presentment for payment

Article 491

A bill of exchange payable on a named date or at a set time after the issue or after sight must be presented for payment either on the day, on which it is payable, or on one of the two following business days.

Indication of payment

Article 492

(1) Upon payment, the payer may request the bearer to surrender the bill of exchange thereto and to indicate thereon that it has been paid.

(2) The bearer may not refuse to accept partial payment.

(3) In the case of partial payment, the payer may request the payment to be indicated on the bill of exchange and a receipt to that effect to be issued thereto.

Payment before and on maturity date

Article 493

(1) The bearer cannot be compelled to receive payment of the bill of exchange before maturity.

(2) The payer, who pays before maturity, does so at their own risk and peril.

(3) A person, who pays at maturity, shall be validly discharged, unless they have been guilty of fraud or gross negligence. They shall be bound to verify the regularity of the series of endorsements, but not the signature of the endorsers.

Currency of payment

Article 494

(1) When a bill of exchange is drawn payable in a currency, which is not that of the place of payment, the amount payable may be paid in the local currency, according to its value on the date of maturity. If the debtor is in default, the bearer may, at their option, demand that the amount of the bill of exchange be paid in the local currency, according to the rate on the day of maturity or the day of payment.

(2) The exchange rate of the foreign currency shall be determined in accordance with the business customs at the place of payment. Nevertheless, the drawer may stipulate that the amount payable shall be calculated according to a rate expressed in the bill.

(3) Paragraphs 1 and 2 shall not apply to the case, in which the drawer has stipulated that payment must be made in a certain specified currency.

(4) If the amount of the bill of exchange is specified in a currency having the same denomination, but a different value in the country of issue and the country of payment, reference is deemed to be made to the currency of the place of payment.

Deposit of the Amount

Article 495

When the bill of exchange is not presented for payment within the time limit set in Article 491, the debtor shall be authorised to deposit the amount in a bank, at the expense, risk and peril of the bearer.

Section VII
Protest

Types of protest

Article 496

A refusal of acceptance or payment must be evidenced by a protest for non-acceptance or non-payment.

Protest for non-acceptance

Article 497

(1) The protest for non-acceptance must be made within the time limit set for the presentment for acceptance. If in the case, provided for in Article 478, Paragraph 1, the first presentment takes place on the last day of that time limit, the protest may nevertheless be drawn up on the next day.

(2) The protest for non-acceptance shall relieve the bearer from presentment of the bill of exchange for payment and from protest for non-payment.

Protest for non-payment

Article 498

A protest for non-payment of a bill of exchange payable on a named date or at a set time after the issue or sight must be made on one of the two business days following the day, on which the bill is payable. If the bill of exchange is payable at sight, the protest must be made within the time limits under Article 497, Paragraph 1.

Notice of non-acceptance or non-payment

Article 499

(1) The bearer must give notice of non-acceptance or non-payment to their immediate endorser and to the drawer within the four business days which follow the day for protest or, in case of a stipulation *retour sans frais*, the day for presentment. Each endorser shall, within the two business days following the day on which they receive notice, notify their immediate endorser of the notice received, mentioning the names and addresses of those, who have given the previous notices, and so on through the series until the drawer is reached. The time limits shall run from the receipt of the preceding notice.
(2) When, pursuant to Paragraph 1, notice is given to a person, who has signed a bill of exchange, the same notice must be given within the same time limit to that person's guarantor.
(3) When an endorser either has not specified their address or has specified it in an illegible manner, it is sufficient that notice should be given to the preceding endorser.
(4) A notice may also be given even by simply returning the bill of exchange. The person obliged to give the notice must prove that they have given it within the specified time limit.
(5) A person, who fails to give the notice within the time limits specified in Paragraphs 1 - 4, shall be liable for damages to the amount of the sum under the bill of exchange.

Relief from protest

Article 500

(1) The drawer, an endorser, or a person guaranteeing payment by aval (avaliseur) may, by the stipulation *retour sans frais*, *sans protet*, or any other equivalent expression written on the bill of exchange and signed, release the bearer from having a protest of non-acceptance or non-payment drawn up in order to exercise their right of recourse.
(2) The stipulation under Paragraph 1 shall not relieve the bearer from presenting the bill of exchange within the prescribed time or from the notices they have to give. The burden of proving the non-observance of the time limits lies on the person, who seeks to set it up against the holder.
(3) The stipulation written by the drawer shall have effect in respect of all persons, who have signed the bill of exchange. The stipulation written by an endorser or an avaliseur shall have effect only in respect of such endorser or avaliseur. If, in spite of the stipulation written by the drawer, the bearer has a protest drawn up, the latter must bear the expenses thereof, and when the stipulation is written by an endorser or avaliseur, the costs of the protest, if one is drawn up, may be recovered from all the persons who have signed the bill of exchange.

Protest

Article 501

The protest shall be drawn up, upon written request by the bearer, by the notary public at the place of payment or acceptance.

Contents of the protest

Article 502

(1) The protest shall contain:
1. a full copy of the document with all endorsements and notes;
2. the names of the persons, in favour of whom and against whom the protest is drawn up;
3. the inquiry to the person, against whom the protest is drawn up, the response given or a note that the person has not responded or could not be found;
4. in the case of acceptance or payment through an agent, indication by whom, for whom and how it has been given;

5. place and date of the protest;
6. signature and seal of the notary public.
(2) The drawing up of the protest shall be indicated on the document.
Protest against multiple persons

Article 503

When the acceptance or payment of the bill of exchange, promissory note or a cheque are to be requested from multiple persons, one protest against all persons may be drawn up.
Recording the protest

Article 504

(1) The notary public shall record in the register the contents of the protest drawn up and shall issue copies to the stakeholders.
(2) The original of the protest shall be handed over to the bearer.

Section VIII
Recourse

Grounds

Article 505

(1) When the bill of exchange has not been paid at maturity, the bearer may exercise their right of recourse against the endorsers, the drawer and the other parties liable.
(2) Recourse may be exercised even before maturity, if:
1. there has been total or partial refusal to accept the bill of exchange by the payer;
2. bankruptcy proceedings have been initiated against the payer, whether they have accepted the bill of exchange or not;
3. the payer has stopped payment on their part or the enforcement against their property was without result;
4. bankruptcy proceedings have been initiated against the drawer of a non-acceptable bill.
Subject of the recourse

Article 506

(1) The bearer may recover from the persons, against whom they exercise their right of recourse:
1. the amount of the unaccepted or unpaid bill of exchange with interest, if interest has been stipulated for;
2. the legal interest accrued from the date of maturity;
3. the expenses of protest and of the notices given as well as other expenses;
4. a commission, which, unless stipulated otherwise, shall amount to one-third of one percent of the sum of the bill of exchange, and which may not exceed that amount.
(2) If the right of recourse is exercised before maturity, the amount of the bill shall be subject to a discount, calculated according to the official rate of discount (bank-rate) on the date, when recourse is exercised at the place of domicile of the bearer.
Recourse of the paying debtor

Article 507

The party, paying a bill of exchange, can recover from the parties liable thereto:
1. the entire amount they have paid;
2. the legal interest on the paid amount calculated at the day of payment;

3. any expenses incurred;
4. a commission under Article 506, Paragraph 1, Item 4.

Giving the bill of exchange against payment

Article 508

(1) Each party liable, against whom a right of recourse is or may be exercised, can require, against payment, that the bill shall be given up to them with the protest and that a receipt shall be issued thereto.

(2) Each endorser, who has taken up and paid a bill of exchange, may cancel their own endorsement and those of subsequent endorsers.

Recourse after partial acceptance

Article 509

In the case of the exercise of the right of recourse after a partial acceptance, the party, paying the amount in respect of which the bill has not been accepted, may require that this payment shall be specified on the bill and that a receipt shall be issued thereto. The bearer shall also give that party a certified copy of the bill of exchange, together with the protest, in order to enable subsequent recourse to be exercised.

Recourse upon stoppage of payment

Article 510

If there is a stoppage of payment by payer, whether they have accepted the bill of exchange or not, or if the enforcement against the payer was without result, the bearer may exercise their right of recourse after presentment of the bill to the drawer for payment and after the protest has been drawn up.

Recourse upon bankruptcy

Article 511

(1) If bankruptcy proceedings have been initiated against the payer, whether they have accepted the bill of exchange or not, as well as in cases of bankruptcy proceedings initiated against the drawer of a non-acceptable bill, the decision to initiate the bankruptcy shall suffice to enable the bearer to exercise their right of recourse.

(2) If bankruptcy proceedings have been initiated against a payer, whether they have accepted the bill of exchange, or against the drawer of a non-acceptable bill, a court decision shall be further required in order to exercise the right of recourse.

Redraft

Article 512

(1) Every person having the right of recourse may, in the absence of agreement to the contrary, reimburse themselves by means of a fresh bill (redraft) to be drawn at sight on one of the parties liable thereto and payable at the domicile of that party.

(2) The redraft shall include other expenses, in addition to the amounts under Articles 506 and 507.

(3) If the redraft is drawn by the bearer, the amount payable shall be set according to the rate for a sight bill of exchange drawn at the place, where the original bill of exchange was payable, and payable at the place of the domicile of the preceding endorser.

(4) If the redraft is drawn by an endorser, the amount payable shall be set according to the rate for a sight bill of exchange drawn at the place of domicile of the drawer and payable at the place of the domicile of the preceding endorser.

Joint liability

Article 513

(1) The persons, who have issued, accepted and endorsed the bill of exchange, or who have given an "aval", shall be jointly liable to the bearer.

(2) The bearer may exercise their recourse against all parties liable under the bill of exchange, jointly or separately, without regard to the order, in which they have become liable. Any liable party, paying the bill of exchange, shall have the same right against the parties, who have become liable before them.

(3) The bearer, exercising recourse against one of the debtors under the bill of exchange, shall not forfeit their rights against the other debtors, including those, who have signed after the one against whom the recourse is exercised.

Expiration of time limits

Article 514

(1) The bearer shall lose their rights of recourse against the endorsers, the drawer and the other parties liable, with the exception of the payer, after the expiration of the following time limits:

1. for the presentment of a bill of exchange drawn at sight or at a fixed time after sight;
2. for drawing up the protest for non-acceptance or non-payment;
3. for presentment for payment in the case of a stipulation *retour sans frais*.

(2) In default of presentment for acceptance within the time limit stipulated by the drawer, the bearer shall lose their right of recourse for non-payment, as well as for non-acceptance, unless it appears from the terms of the stipulation that the drawer only meant to release themselves from the acceptance obligation.

(3) When the stipulation for a time limit for presentment is contained in an endorsement, the endorser alone may avail himself of it.

Force majeure

Article 515

(1) When the presentment of the bill of exchange or the drawing up of the protest within the specified time limits are prevented by force majeure, the time limits shall be extended accordingly.

(2) The bearer shall notify immediately their immediate endorser of the force majeure, shall indicate that notice on the bill of exchange or the allonge with the place and date, shall place their signature and shall fulfil their obligations under Article 499.

(3) After termination of the force majeure, the bearer must immediately present the bill of exchange for acceptance or payment and, if need be, draw up the protest.

(4) If the force majeure continues beyond thirty days after maturity, recourse may be exercised, and neither presentment nor the drawing up of a protest shall be necessary.

(5) In the case of bills of exchange drawn at sight or at a set time after sight, the time limit of thirty days shall run from the date on which the bearer has given notice of the force majeure to their immediate endorser. This notice may be given even before the expiration of the time limit for presentment. In the case of bills of exchange drawn at a certain time after sight, the above time limit of thirty days shall be added to the time after sight specified in the bill of exchange.

(6) Facts, which are purely personal to the bearer or to the person, whom he has entrusted with the presentment of the bill of exchange or drawing up of the protest, shall not be deemed to constitute cases of force majeure.

Section IX
Intervention for honour

Person intervening for honour

Article 516

(1) The drawer, endorser or the person giving an aval may specify a person who is to accept or pay the bill of exchange in case of need.
(2) The person intervening may be any third party and any party already liable on the bill of exchange, except the acceptor.
(3) The person intervening shall give, within two business days, notice of their intervention to the party, for whose honour they have intervened. Upon failure to meet this time limit, the person intervening shall be liable for the injury, if any, due to their negligence, but the damages shall not exceed the amount of the bill of exchange.
(4) In the cases under Paragraphs 2 and 3, the bill of exchange may be accepted or paid by a person, who intervenes for the honour of any debtor under the bill of exchange, against whom a right of recourse exists.

Acceptance

Article 517

(1) There may be acceptance by intervention in all cases, where the bearer has a right of recourse before maturity on a bill, which is capable of acceptance.
(2) When the bill of exchange indicates a person, who is designated to accept or pay it in case of need at the place of payment, the bearer may not exercise their rights of recourse before maturity against the person naming such referee in case of need and against subsequent signatories, unless the bearer has presented the bill of exchange to the referee in case of need and until, if acceptance is refused by the latter, this refusal has been authenticated by a protest.
(3) Except for the cases under Paragraph 2 the bearer may refuse an acceptance by intervention. Nevertheless, if they allow the intervention, they shall lose their right of recourse before maturity against the person, on whose behalf such acceptance was given, and against subsequent signatories.

Form

Article 518

The acceptance by intervention shall be specified on the bill of exchange and signed by the person intervening. It shall mention the person, for whose honour it has been given and, in default of such mention, the acceptance shall be deemed to have been given for the honour of the drawer.

Liability of the acceptor by intervention

Article 519

(1) The acceptor by intervention shall be liable to the bearer and to the endorsers, subsequent to the party for whose honour they have intervened, in the same manner as such party.
(2) Notwithstanding an acceptance by intervention, the party, for whose honour it has been given, and the parties liable thereto may require the bearer, in exchange for payment of the amount under Article 506, to hand over the bill, the protest, and the receipt.

Payment

Article 520

(1) Payment by intervention may take place in all cases when, either at maturity or before maturity, the bearer has a right of recourse.
(2) The payment must include the whole amount payable by the party, for whose honour it is made, and must be made at the latest on the day, following the last day allowed for drawing up the protest for non-payment.

Presentment and protest

Article 521

(1) If the bill of exchange has been accepted by persons intervening, who are domiciled in the place of payment, or if persons domiciled there have been named as referees in case of need, the bearer must present the bill of exchange to all these persons and, if necessary, have a protest for non-payment drawn up at the latest on the day following the last day allowed for drawing up the protest.
(2) If the protest has not been drawn up in due time, the party, who has named the referee in case of need, or for whose honour the bill of exchange has been accepted, and the subsequent endorsers, shall be discharged.

Consequences of refusal of the bearer

Article 522

The bearer, who refuses payment by intervention, shall lose their right of recourse against any persons, who would have been discharged thereby.

Authentication of the payment

Article 523

(1) The payment by intervention must be authenticated by a receipt, given on the bill of exchange, mentioning the person, for whose honour payment has been made, and if no such mention is made, the payment shall be deemed to have been made for the honour of the drawer.
(2) The bill of exchange and the protest if any, shall be given up to the person paying by intervention.

Rights of the payer by intervention

Article 524

(1) The person paying by intervention shall acquire the rights arising out of the bill of exchange against the party, for whose honour they have paid, and against the persons, who are liable to the latter on the bill of exchange. The person paying by intervention may not re-endorse the bill of exchange.
(2) The endorsers subsequent to the party, for whose honour payment has been made, shall be discharged.
(3) In case of competition for payment by intervention, the payment, which discharges the greatest number of debtors under the bill of exchange, shall have the preference. Any person, who, with a knowledge of the facts, intervenes in a manner contrary to this rule, shall lose their right of recourse against those, who would have been discharged.

Section X
Parts of a set and copies

Parts of a set

Article 525

(1) The bill of exchange may be drawn in a set of two or more identical parts. These parts must be numbered in the body of the instrument itself, otherwise each part shall be considered as a separate bill of exchange.
(2) Each bearer of a bill of exchange, which does not specify that it has been drawn as a sole bill, may, at their own expense, require the delivery of two or more parts, until the drawer is reached. The endorsers shall reproduce their endorsements on the new parts of the set.
Payment on one part of a set

Article 526
(1) The payment made on one part of a set shall discharge all liable parties, even without special stipulation thereto. Nevertheless, the payer shall be liable on each accepted part, which they have not recovered.
(2) An endorser, who has transferred parts of a set to different persons, as well as subsequent endorsers, shall be liable on all the parts bearing their signature, which have not been recovered.
Sending one part for acceptance

Article 527
(1) A party, who has sent one part for acceptance, must indicate on the other parts the name of the person, in whose hands this part is to be found. This person shall give it up to the legally identified bearer of another part.
(2) If the bearer refuses, they may exercise their right of recourse by a protest drawn up, specifying:
1. that the part sent for acceptance has not been given up to them on his demand;
2. that acceptance or payment could not be obtained on another part.
Copies

Article 528
(1) Every bearer of a bill of exchange shall have the right to make copies thereof.
(2) A copy must reproduce the original exactly, with the endorsements and all other statements to be found therein, and must specify where the copy ends.
(3) The copy may be endorsed and guaranteed by aval in the same manner and with the same effects as the original. The copy shall have effect vis-a-vis persons, who have placed their signatures on the bill of exchange before the copy, only if the copy is presented together with the original.
Original and copies

Article 529
(1) A copy must specify the person in possession of the original, who shall hand over the said instrument to the legally identified holder of the copy.
(2) If the holder refuses, the bearer may not exercise their right of recourse against the persons, who have endorsed the copy or guaranteed it by aval, until they have a protest drawn up specifying that the original has not been given up to them on their demand.
(3) If the original, after the last endorsement before the making of the copy, contains the stipulation "commencing from here an endorsement is only valid if made on the copy" or some equivalent formula, any subsequent endorsement on the original shall be invalid.

Section XI
Amendments

Effect of the amendments

Article 530

In case of amendment to the text of the bill of exchange, the parties, who have signed subsequent to the amendment, shall be bound according to the terms of the altered text, while the parties, who have signed before the amendment, shall be bound according to the terms of the original text.

Section XII
Period of prescription

Periods of prescription

Article 531

(1) Any actions arising out of the bill of exchange against the payer shall lapse after a period of prescription of three years after the date of maturity.

(2) Any actions by the bearer against the endorsers and against the drawer shall lapse after a period of prescription of one year after the date of a protest drawn up within proper time, or from the date of maturity, if the bill of exchange contains a stipulation *retour sans frais*.

(3) Any actions by the endorsers among themselves and against the drawer shall lapse after a period of prescription of six months after the date, on which the endorser has paid the bill of exchange, or the date, on which action has been brought against the endorser.

Suspension of the period of prescription

Article 532

The period of prescription shall be suspended only with respect to the person, against whom the period has been suspended.

No extension of the time limits

Article 533

The time limits, set forth herein, on liabilities under bills of exchange may not be extended.

Section XIII
Inequitable gain

Action upon inequitable gain

Article 534

(1) When the bearer of a bill of exchange, a promissory note or a cheque forfeits their rights to action thereunder due to an expiration of a period of prescription or failure to reserve such rights, they may raise a claim against a drawer or endorser to recover any inequitable gain made by them to the detriment of the bearer.

(2) The claim under Paragraph 1 shall lapse after a three-year period of prescription. The period of prescription shall commence on the date of forfeiture of the rights to action under the bill of exchange, the promissory note or the cheque.

Chapter Thirty-One
PROMISSORY NOTE

Contents

Article 535

The promissory note shall contain:
1. the title "promissory note" in the text of the document in the language, in which the document is written;
2. an unconditional promise to pay a certain amount of money;
3. maturity;
4. place of payment;
5. the name of the person, to whom or to whose order the sum must be paid;
6. date and place of issue;
7. signature of the drawer.

Incomplete contents

Article 536

(1) A document, which does not contain some of the details, indicated in Article 535, shall not be a promissory note, except in the cases specified in Paragraphs 2, 3 and 4.
(2) A promissory note, in which no maturity has been specified, shall be deemed payable at sight.
(3) The place of issue shall be deemed to be the place of payment and domicile of the drawer, unless agreed upon otherwise.
(4) A promissory note, in which no place of issue has been specified, shall be assumed issued at the place specified next to the name of the drawer.

Reference to the provisions on the bill of exchange

Article 537

The provisions on the bill of exchange shall be applied accordingly to the promissory note, to the extent they are compatible with its nature.

Obligations of the drawer

Article 538

(1) The drawer of a promissory note shall be liable in the same way as the payer of the bill of exchange.
(2) The promissory note payable at a set time after sight must be presented to the drawer within the time limits under Article 477. The drawer shall certify on the document that it has been presented thereto, place the date and their signature. The time after sight shall commence on the date certified by the drawer on the note. The refusal of the drawer to certify the presentment or to write the date shall be established by protest under Article 496, the date of which shall be considered the beginning of the time after sight.

Chapter Thirty-Two
CHEQUE

Section I
Issue and form

Contents

Article 539

A cheque shall contain:

1. the title "cheque" in the text of the document in the language, in which the document is written;
2. an unconditional order to pay a certain amount of money;
3. the name of the person, who must pay (payer);
4. date and place of issue;
5. place of payment;
6. signature of the drawer.

Incomplete contents

Article 540

(1) A document, which does not contain some of the details, specified under Article 539, shall not be a cheque, except in the cases, specified in Paragraphs 2, 3 and 4.

(2) A cheque, in which no place of payment has been specified, shall be considered payable at the place specified next to the name of the payer. If multiple places are specified, the cheque shall be payable only at the first place specified.

(3) If no other place has been specified, the cheque shall be payable at the place, where the principal office of the payer is located.

(4) A cheque, in which the place of issue has not been specified, shall be considered issued at the place specified next to the name of the drawer.

Drawing

Article 541

(1) A cheque payable in the Republic of Bulgaria may be drawn only against a bank.

(2) The drawer of the cheque must have coverage with the payer.

(3) The payer shall pay the cheque up to the amount of coverage, if they have explicit or tacit agreement with the drawer.

(4) The cheque shall be valid even when the provisions of Paragraphs 2 and 3 are not met.

Invalidity of the acceptance

Article 542

A cheque shall not be subject to acceptance. A note of acceptance on the cheque shall be invalid.

Types of cheques

Article 543

(1) A cheque may be drawn:

1. to a certain person with or without explicit stipulation "to order";
2. to a certain person with stipulation "not to order" or another equivalent stipulation;
3. to bearer.

(2) A cheque drawn to a certain person with stipulation "or to bearer" or another phrase of equivalent meaning, shall have the same effect as a cheque to bearer.

(3) A cheque, in which the name of the person to whom it is drawn is not specified, shall be deemed a cheque to bearer.

Cheque drawn to order of the drawer or against drawer

Article 544

(1) A cheque may be drawn to the drawer or to order thereto.

(2) A cheque may not be drawn against the drawer, except when issued between different branches of a merchant.

Inapplicability of interest

Article 545

The stipulation for interest, included in the cheque, shall be invalid.

Cheque payable with a third party

Article 546

A cheque may be payable with a third party at the registered office of the payer or at another place only if the third party is a bank.

Liability of the drawer

Article 547

The drawer shall be liable for the payment of the cheque. Any stipulation relieving them from liability shall be invalid.

Section II
Endorsement

Requirements for the endorsement

Article 548

The provisions on the endorsement of bills of exchange shall apply to the cheque, with the following exceptions:

1. the endorsement of the payer shall be invalid;
2. the endorsement to the benefit of the payer shall only have the effect of a receipt, except when the endorsement has been made between different branches of a merchant.

Endorsement on a cheque to bearer

Article 549

The endorsement on a cheque to bearer shall make the endorser liable under the rules for the recourse. Such an endorsement shall not transform the cheque into a cheque to order.

No guarantee by payer

Article 550

The payer may not be guarantor on the cheque.

Section III
Payment

Payment on Demand

Article 551

(1) A cheque shall always be payable on demand. Any stipulation to the contrary shall be invalid.

(2) A cheque presented for payment before the date specified as date of issue, shall be payable on the date of presentment.

Time limit for presentment

Article 552

The cheque must be presented for payment within eight days following the date of its issue.

Withdrawal

Article 553

(1) The cheque may be withdrawn by the drawer after the expiration of the time limit for presentment.

(2) If the cheque has not been withdrawn, the payer may pay it even after the expiration of the time limit for presentment.

Drawer’s death or incapacity

Article 554

The drawer’s death or incapacity to act, occurring after the issue, shall not affect the validity of the cheque.

Section IV
Crossed cheque and cheque directed to account

Crossed cheque

Article 555

(1) The drawer and the bearer of the cheque may cross it with the effect specified in Article 556.

(2) The crossing shall be done with two parallel lines on the face.

(3) The crossing may be general or special. The crossing shall be general, when it does not contain any stipulation between the two lines or contains the stipulation "bank" or another phrase of equivalent meaning. The crossing shall be special if the name of a bank is written between the two lines.

(4) The general crossing may be transformed into special crossing, but a special crossing may not be transformed into general crossing.

Validity of the crossed cheque

Article 556

(1) A cheque with a general crossing may be paid only to a bank or to a customer of the payer.

(2) A cheque with a special crossing may be paid only to the specified bank or, if that bank is the payer, to a customer thereof. The specified bank may assign the receipt of the amount under the cheque to another bank.

(3) The cheque may have only one special crossing. Two special crossings shall be allowed only when one of them is for payment through a clearing house. A cheque, which is not in compliance with this provision, may not be paid.

(4) The payer, who violates the requirements of Paragraphs 1, 2 and 3, shall be liable for damages up to the amount under the cheque.

Cheque directed to account

Article 557

(1) The drawer and the bearer of a cheque may prohibit its payment in cash by writing on the face of the cheque the provision "account payee" or another phrase of equivalent meaning.

(2) In the case under Paragraph 1, the payment may be made only to account. If the account is specified as well, the payer may transfer the amount only to the specified account. The account may be specified by the drawer and by any legally identified holder of the cheque.

(3) The crossing of the stipulation "account payee" shall be invalid.

(4) The payer who has paid in violation of Paragraphs 1, 2 and 3 shall be liable for damages to the amount of the sum under the cheque.

Section V
Recourse upon non-payment

Grounds

Article 558

The bearer may exercise their recourse against the endorsers, the drawer and the other liable parties, when the refusal to pay has been established by:

1. protest;
2. declaration of the payer written on the cheque with specified date of presentment;
3. dated declaration of the clearing house that the cheque has been presented in due time and has not been paid.

Time limit for protest

Article 559

(1) The protest must be drawn up before the expiration of the time limit for presentment.

(2) If the cheque is presented on the last date of the time limit, the protest must be drawn up on the next business day.

Section VI
Parts of a set

Parts of a set

Article 560

In addition to the cheques to bearer, each cheque issued in one country and payable in another may be in a set of two or more identical parts. When the cheque has been issued as a set of two or more parts, they parts must be numbered in the body of the cheque, otherwise each part shall be considered as a separate cheque.

Section VII
Period of prescription

Periods of prescription

Article 561

(1) The bearer’s right of recourse against the endorsers, the drawer and the guarantors on the cheque shall lapse after a six-month period of prescription after the date of presentment or expiration of the time limit for presentment.

(2) The endorser’s right of recourse against all parties liable thereto shall lapse after a six-month period of prescription after the date the cheque was paid or the date when action has been brought against the endorser.

Section VIII
Special provision

Reference

Article 562

The provisions on the bill of exchange shall be applied accordingly to the cheque, to the extent they are compatible with its nature.

Chapter Thirty-Three
LAW APPLICABLE TO THE BILL OF EXCHANGE, PROMISSORY NOTE AND CHEQUE

Capacity

Article 563

(1) The capacity of a person to undertake obligations under a bill of exchange, a promissory note or a cheque, shall be determined according to its national law. When this law declares the law of another State to be applicable, the law of that State shall apply.
(2) The person, not having the capacity under Paragraph 1, shall be considered liable, if their signature has been placed in a country, the law of which recognises them as having such capacity.

Form and contents

Article 564

(1) The form and contents of a bill of exchange, a promissory note and a cheque shall be determined according to the law of the place where they are signed. For the cheque, the compliance with the form and contents according to the law of the place of payment shall be sufficient.
(2) When the bill of exchange, promissory note or cheque are invalid, but are in compliance with the law of the country, where subsequent liability is assumed, they shall be valid.

Liability

Article 565

(1) The liability of the payer under the bill of exchange and of the drawer of the promissory note shall be determined by the law of the place of payment.
(2) The liability of the other signatories shall be determined by the law of the place where the signatures have been placed.

Time limits for exercising the right of recourse

Article 566

The time limits for exercising the right of recourse for all signatories shall be determined by the law of the place of issue of the document.

Acquisition of the receivable by the bearer

Article 567

The law of the place of issue of the bill of exchange or promissory note shall determine whether the bearer shall acquire the receivable in view of which they have been issued.

Partial acceptance

Article 568

The right of the payer to partial acceptance of the bill of exchange or promissory note and the obligation of the bearer to accept partial payment shall be determined by the law of the place of payment.

Protest

Article 569

The form and time limits to draw up protest, as well as take any other action required to exercise or retain the rights under the bill of exchange, promissory note and cheque, shall be determined by the law of the place when the respective action must be taken.

Loss and theft

Article 570

The action to be taken upon loss or theft of a bill of exchange, promissory note or cheque, shall be determined by the law of the place of payment.

Payer of the cheque

Article 571

The persons, against whom a cheque may be drawn, shall be determined by the law of the place of payment. If, according to that law, the cheque is invalid in view of the capacity of the person, against whom it is drawn, the obligations arising out of signatures placed in other countries, the laws of which contain such a provision, shall be valid.

Application of the law of the place of payment

Article 572

According to the law of the place of payment, determined shall be:

1. whether it must be drawn on demand or may also be drawn payable at a certain time after presentment, as well as what shall be the consequences of presentment on a later date;
2. the time limit for presentment;
3. whether the cheque may be accepted, confirmed or certified, as well as the validity of such notes;
4. whether the cheque may be crossed, contain stipulation "account payee" or another phrase of equivalent meaning, and the consequences thereof;
5. the right of the drawer to cancel the cheque or to object to its payment.

Chapter Thirty-Four
DEPOSIT IN A PUBLIC WAREHOUSE

Definition

Article 573

Under a contract for deposit in a public warehouse the depositary accepts goods, against fee, with an obligation to keep and return them to the depositor or the person authorised to receive them.

Form

Article 574

(1) A contract for deposit in a public warehouse shall be concluded in writing and shall be recorded in a warehouse register.

(2) The depositary shall record the contract in a warehouse register maintained by them. The recording shall be made under a procedure, specified in an ordinance to be endorsed by the Minister of Justice.

Obligations of the depositary

Article 575

(1) The depositary, during the working hours of the warehouse, shall allow the depositor to inspect, take samples from the goods and, with the permission of the depositary, to take actions for the goods' maintenance, packaging, sorting, separating and other similar actions.
(2) The depositary may combine fungibles deposited in the warehouse with other of the same type and quality, unless agreed upon otherwise.
(3) Upon apparent changes in the goods, raising concerns that the goods may become damaged, the depositary shall immediately notify the person authorised to receive the goods, and when no such person is known, the depositor.
(4) The depositary shall insure the deposited goods, on behalf and at the expense of the depositor, for the value declared thereby, against fire, flood and earthquake, unless the goods are already insured or the depositor objects to the insurance. Upon request by the depositor, the depositary shall insure the deposited goods against other risks as well.

Obligations of the depositor

Article 576

(1) Upon conclusion of the contract, the depositor shall provide the information required for the safekeeping of the goods.
(2) The fee shall be paid at the end of each calendar quarter or upon return of the goods, unless agreed upon otherwise.

Warehouse warrant

Article 577

(1) The depositary shall issue a warehouse warrant upon request by the depositor.
(2) The warehouse warrant shall be issued based on the warehouse register and shall comprise a goods note and a pledge note. The two parts of the warehouse warrant shall contain:
1. indication of the public warehouse and the sequential number under the warehouse register;
2. name and address of the depositor;
3. type and quantity of the goods and whether they may be mixed with other goods;
4. time limit for keeping the goods;
5. statement by the depositary that they shall deliver the goods as agreed;
6. the actions the depositary shall take to preserve the goods;
7. information whether the goods are insured, the insurer, amount, risks and premium thereof;
8. the payable fee and any unpaid expenses prior to the issue of the warrant;
9. the waste allowance, unless the goods have been accepted by count;
10. place and date of issue of the warrant;
11. signatures of the depositor and the depositary.
(3) The depositor, as well as any holder of the warehouse warrant, legally identified by an uninterrupted series of endorsements, may require warehouse warrants for separate parts of the goods to be issued against the overall warehouse warrant. Such warehouse warrants shall have the date of the initial warehouse warrant.
(4) The depositary may refuse to issue a warehouse warrant, if they have well-grounded reasons or if the depositor has failed to pay any payable fees and expenses.

Transfer of warehouse warrant

Article 578

(1) The warehouse warrant may be transferred by a dated endorsement on the back of the goods note and the pledge note.
(2) The rules of Articles 466 - 470 and Article 474 shall also apply to the warehouse warrant.

(3) An endorsement on the pledge note alone shall constitute a right of pledge on the goods deposited in favour of the endorsee. The first endorsement must contain the amount of the loan secured, interest, maturity and name and address of the creditor thereof. The pledge shall have effect vis-a-vis the endorsers of the goods note and shall be recorded in the warehouse register. The first endorsee shall request these details to be recorded in the goods note and in the warehouse register.
(4) The goods note or pledge note alone shall be transferred by dated endorsement on the respective part of the warehouse warrant.
(5) The holder of the goods note alone, legally identified by the uninterrupted series of endorsements, may receive the deposited goods even before the maturity of the loan secured by pledge of the goods. In this case, they shall pay the depositary the amount of the loan with interest accrued at the date of payment, as specified in the warehouse register. If the interest is prepaid, it shall be deducted for the period from the date of payment to maturity.
Presentment of the pledge note

Article 579
The holder of the pledge note, legally identified by an uninterrupted series of endorsements, shall present it upon maturity to the debtor for payment, or if the debtor is not known, to the depositor. The note shall be presented for payment at the public warehouse. In these cases, the provisions of Articles 505 and 507 shall apply.
Protest, enforcement and compensation

Article 580
(1) The default in payment of the amount under the note shall be established by protest against the debtor under the pledge note, and when the debtor is not known, against the depositor. In this case, Articles 496 and 498 shall be applied accordingly.
(2) If the creditor under the pledge not is not satisfied for their receivable from the sale of the goods, the creditor may levy the enforcement against the debtor, the endorsers and the persons, who have endorsed the goods note after the establishment of the pledge, who shall be jointly liable.
(3) (Amended, SG No. 70/1998) When the creditor under the pledge note fails to draw up the protest within the specified time period or sell the goods within twenty days after the date of protest, the creditor shall forfeit the right of recourse against the endorsers under the pledge note, but shall reserve the right of action against the debtor and the endorsers of the goods note.
(4) The endorser of the goods note, who pays the pledge note, shall have the right of action for the amount paid, the interest and the expenses, against the debtor and the preceding endorsers under the goods note, who shall be jointly liable. The right of action against the endorsers shall lapse after a six-month period of prescription as of the date of payment of the debt, and the right of action against the debtor - after a three-year period of prescription.
Invalidation of a destroyed or lost warehouse warrant

Article 581
(1) (Amended, SG No. 59/2007) A destroyed or lost warehouse warrant shall be invalidated under the procedure of Article 560 and the following Articles of the Code of Civil Procedure.
(2) Following the initiation of invalidation proceedings, the owner of the destroyed or lost warehouse warrant may request the depositary to issue a copy, by providing sufficient guarantee. When the depositary does not agree with the amount of the guarantee, it shall be determined by the regional court.

(3) If the destroyed or lost warrant is invalidated, the guarantee deposited under Paragraph 2 shall be returned.

Return of the deposited goods

Article 582

(1) The goods deposited shall be returned to the depositor, or when a warehouse warrant has been issued, to the holder of the warrant, legally identified by an uninterrupted series of endorsements, upon handover of the warrant. The goods shall be returned at the warehouse, where they have been deposited, and shall be marked on the warehouse warrant. The warrant shall be signed by the recipient.

(2) If multiple persons are authorised to receive the goods, but there is no indication as to what part of the goods each person has to receive, or if the goods are indivisible, upon failure of the persons to reach an agreement thereto, the depositary may, upon expiration of the time limit, sell the goods and deposit the proceeds from the sale in their name with a bank.

(3) When fungibles have been deposited, the holder of a goods note may receive part thereof by paying the creditor or depositing to creditor's account the respective part of the receivable, for which the pledge note is issued, together with the interest and expenses.

(4) The waste allowances on the goods shall be deducted to the amount agreed upon or to the legal amount.

Right to Pledge

Article 583

The depositary shall have the right of pledge on the goods deposited to secure the depositary's receivables.

Dissolution

Article 584

The depositary may request the depositor to take the goods upon the expiration of the agreed-upon term, or when no term has been agreed upon, three months after the goods are deposited.

Early termination

Article 585

(1) When the goods deposited are threatened by damage or when they may damage other goods, as well as when there are other good reasons for termination of the contract, the depositary may terminate the contract and demand that the goods are received immediately by the last endorsee, and when they are not known - by the depositor.

(2) If the goods are not received, the depositary may sell the goods under the procedure of Article 328, Paragraph 1, Item 2, after providing written notice to the legally identified recipient, or when the latter is not known, to the depositor, and satisfy the depositary's receivables under the contract for deposit from the sale price. The depositary shall deposit the difference to the account of the creditor under the pledge note.

(3) If the goods are perishable, the provision of Article 328, Paragraph 1, Item 3 shall apply.

Period of prescription

Article 586

(1) The right of damage claim against the depositary shall lapse after a one-year period of prescription. The period of prescription shall commence on the date the deposited property is returned. When the deposited property is not returned, the period of prescription shall commence

on the date, on which it should have been returned, and if the property is destroyed - on the date of becoming aware of its destruction.
(2) When the loss, damage, destruction or delayed return of the property have been caused intentionally by the depositary, the period of prescription shall be three years.

Chapter Thirty-Five
LICENCING CONTRACT

Definition and form

Article 587
(1) (Amended and supplemented, SG No. 81/1999) Under a licencing contract, the holder of a right over an invention, utility model, industrial design, mark, integrated circuit topology or know-how, hereinafter referred to as licensor, shall grant the use of this right, for a fee, to the licensee.
(2) The licencing contract shall be concluded in writing.
Granting the right to apply

Article 588
(Repealed, SG No. 81/1999).
Territorial coverage of the licence

Article 589
Unless agreed upon otherwise under the licence contract, the licence shall be considered to be granted for use on the territory of the Republic of Bulgaria.
Recording the contract

Article 590
The licencing contract shall be recorded in a register of the Patent Office. The contract shall have effect vis-a-vis third parties after the recording.
Ensuring the use

Article 591
The licensor shall ensure the free and uninterrupted use by the licensee of the rights granted, as well as protection against claims by third parties.
Information and assistance

Article 592
The licensor shall provide the licensee with the agreed-upon information and assistance for the use of the licensed object.
Obligation for confidentiality

Article 593
The licensee shall keep confidential any information on an unpatented invention, utility model or know-how, over which the licensee has been granted a right to use.
Licence of a mark
(Heading amended, SG No. 81/1999)

Article 594

(1) (Amended, SG No. 81/1999) For a licence of a mark, the licensee shall ensure the quality of the goods associated with the mark and recognised by the users before the conclusion of the contract.
(2) (Amended, SG No. 81/1999) The licensee shall place the mark on the goods, for which the licence has been granted thereto.

Fee

Article 595

(1) When the fee is agreed upon based on the used volume of the licensed object, the licensee shall inform the licensor on the used volume within the agreed-upon time limits.
(2) The fee shall be payable on an annual basis, unless agreed upon otherwise.

Sublicensing contract

Article 596

(1) Under a sublicensing contract, the licensee of an exclusive licence may grant to another person the right to use the licensed object.
(2) The sublicensing right under Paragraph 1 may be excluded or may require the consent of the licensor under the licensing contract. The consent may be refused only for well-grounded reasons.

Rights of the licensor vis-a-vis the sublicensee

Article 597

The licensor may request from the sublicensee the fee payable by the sublicensee to their licensor at the time of the request.

Termination upon notice

Article 598

(1) The termless licencing contract may be terminated upon written notice by any party thereto.
(2) If the time limit for the notice is not specified in the contract, it shall be six months, however, the licensor may not terminate the contract before the expiration of the first year of its validity.

Tacit extension of the contract

Article 599

If, after the expiration of the contract term, the licensee continues to use the licensed object with the knowledge and without the objection of the licensor, the contract shall be extended to the term provided by law for its protection.

Chapter Thirty-Six
CONTRACT FOR GOODS INSPECTION

Definition

Article 600

Under a contract for goods inspection, the inspector shall, for a fee, using special knowledge, make a fair comparison between the required and actual condition or simply identify the condition of certain goods or service. The inspector shall issue a certificate for their findings.

Obligations of the inspector

Article 601

(1) The inspection shall be performed in the scope and manner provided for by law or the contract, and when no such provisions exist, in the scope and manner customary at the location of the inspected object.
(2) When the contract provides for keeping a sample, the inspector shall keep the sample at their registered office for not less than six months after the receipt of the sample.
Invalid provision

Article 602
Any provision on any obligations, which may affect the inspector's fairness, shall be invalid.
Obligations of the principal

Article 603
(1) The principal shall provide the inspector with access to the inspected object and with assistance in the performance of inspector's obligations.
(2) When the amount of the fee has not been specified, the principal shall owe the customary fee.
Period of prescription

Article 604
Any claims for receivables under the contract for goods inspection shall lapse after a one-year period of prescription.

Chapter Thirty-Seven
(New, SG No. 59/2006)
CONTRACT FOR LEASE OF A SAFE DEPOSIT BOX

Definition

Article 605
(Repealed, SG No. 19/2003, new, SG No. 59/2006)
(1) Under the contract for lease of a safe deposit box, the lessor shall make available for use to the lessee, for a specified time limit and a fee, a safe deposit box within secured premises. The safe deposit box shall be used for storage of valuables, securities, other objects and documents. Only the lessee shall have access to the safe deposit box.
(2) The contract for lease of a safe deposit box may be with declared or undeclared deposited contents before the lessor.
(3) The lessor may not hold a copy of the key to the safe deposit box given to the lessee.
Prohibited objects

Article 606
(Repealed, SG No. 19/2003, new, SG No. 59/2006)
(1) No objects threatening the security of the safe deposit box and of the lessor, or objects, the acceptance of which is prohibited by law, may be placed in the safe deposit box.
(2) The lessor shall control in appropriate manner the compliance with the requirement of Paragraph 1 without disclosing the deposited contents, when it is not declared.
(3) Upon noncompliance with the obligation under Paragraph 1, the lessor may terminate the contract immediately.
Rights of the lessor upon non-payment

Article 606a
(Repealed, SG No. 19/2003, new, SG No. 59/2006)
(1) Upon termination of the contract due to non-payment of the agreed-upon fee, the lessor may request the opening and identifying of the contents of the safe deposit box in the presence of a notary public. Objects found in the safe shall be kept with the lessor, to whom the respective expenses and fee shall be payable.
(2) The lessor may retain the deposited objects in the safe deposit box against the receivables thereof under the contract.
Special provision

Article 606b
(Repealed, SG No. 19/2003).
Validity of the contract

Article 606c
(Repealed, SG No. 19/2003).
Form of the contract

Article 606d
(Repealed, SG No. 19/2003).
Mandatory provisions of Bulgarian law

Article 606e
(Repealed, SG No. 19/2003).
Subsidiary provision

Article 606f
(Repealed, SG No. 19/2003).

PART FOUR
(New, SG No. 63/1994)
BANKRUPTCY

Chapter Thirty-Eight
(Renumbered from Chapter Thirty-Four, SG No. 83/1996)
GENERAL

Section I
General provisions

Objective of the proceedings

Article 607
(1) The objective of the bankruptcy proceedings shall be the fair satisfaction of the creditors and the possibility for administration of the debtor’s enterprise as a going concern.

(2) Bankruptcy proceedings shall take into consideration the interests of the creditors, the debtor and the debtor's employees.

Grounds for initiating bankruptcy proceedings

Article 607a

(New, SG No. 70/1998)

(1) Bankruptcy proceedings shall be initiated for a merchant, who is insolvent.

(2) Except upon insolvency, bankruptcy proceedings shall be initiated also upon over-indebtedness of a limited liability company, a joint-stock company or a partnership limited by shares.

Insolvency

Article 608

(Amended and supplemented, SG No. 70/1998, amended, SG No. 84/2000, SG No. 58/2003, SG No. 38/2006)

(1) (Amended, SG No. 20/2013) Insolvent shall be any merchant, unable to meet any due:

1. payable obligation arising out of, or related to a commercial transaction, including its validity, performance, non-performance, termination, invalidation or cancellation, or the consequences from its termination; or

2. public-law obligation to the State or municipalities related to the merchant's business; or

3. (supplemented, SG No. 102/2017, effective 31.03.2018) obligation under a private State receivable; or

4. (new, SG No. 102/2017, effective 31.03.2018) obligation to pay wages to at least one third of the workers and employees, which has not been discharged for more than two months.

(2) (Amended, SG No. 105/2016) It shall be assumed that the merchant is unable to meet any due obligation under Paragraph 1, if, prior to filing of the application for initiation of the bankruptcy proceedings, the merchant has not applied for announcement in the Commercial Register of the merchant's annual financial statements for the past three years.

(3) (Amended, SG No. 105/2016) Insolvency shall be presumed when the debtor has stopped paying. Paying shall be considered to be stopped also in the cases, when the debtor has paid, in part or in full, some receivables of some creditors.

(4) (New, SG No. 105/2016) Insolvency shall be presumed, if, under enforcement proceedings, initiated to enforce an effective claim of the creditor, who has filed an application under Article 625, the receivable has remained partially or fully outstanding within 6 months after the reception of the voluntary payment notice.

Concealed accessory

Article 609

Bankruptcy proceedings shall also be initiated for any person using an insolvent debtor to conceal business.

Initiating bankruptcy proceedings for a general partner

Article 610

(Amended, SG No. 70/1998)

Bankruptcy proceedings for the general partner shall be considered initiated simultaneously with the initiated bankruptcy proceedings for the company.

Initiating bankruptcy proceedings for a deceased or expunged sole trader or for a company in liquidation

(Heading amended, SG No. 70/1998)

Article 611

(1) (Amended, SG No. 70/1998) Bankruptcy proceedings shall also be initiated for a deceased sole trader or a sole trader expunged in the Commercial Register if the said sole trader had been bankrupt prior to the death or prior to the expungement thereof, respectively.

(2) (New, SG No. 70/1998) Bankruptcy proceedings shall also be initiated for deceased general partners or for general partners expunged in the Commercial Register.

(3) (Renumbered from Paragraph 2, SG No. 70/1998) Bankruptcy proceedings shall also be initiated for an insolvent company in liquidation.

(4) (Renumbered from Paragraph 3 and amended, SG No. 70/1998) For the cases under Paragraphs 1 and 2, the application for initiation of bankruptcy proceedings may be filed within one year after the death or the expungement in the Commercial Register, respectively.

Inapplicability of bankruptcy

Article 612

(1) (Previous text of Article 612, amended, SG No. 42/1996, amended, SG No. 70/1998, SG No. 84/2000) No bankruptcy proceedings shall be initiated for a public-enterprise merchant exercising a State monopoly or established by a special law.

(2) (New, SG No. 42/1996, amended and supplemented, SG No. 70/1998) Bankruptcy proceedings for a bank and an insurer shall follow a procedure, specified in a separate law. The provisions of this Part shall apply, unless otherwise provided for in the separate law.

(3) (New, SG No. 70/1998) The relationships, pertaining to the insolvency of a public-enterprise merchant exercising a State monopoly or established by a special law, shall be arranged by a separate law.

Competent court

Article 613

(Amended, SG No. 38/2006, SG No. 66/2023)

The bankruptcy court shall be the district court having jurisdiction over the registered office of the merchant, as recorded not later than 6 months prior to the filling of the application for the initiation of bankruptcy proceedings.

Appealing against Resolutions and Rulings

(Title amended, SG No. 66/2023)

Article 613a

(New, SG No. 70/1998, amended, SG No. 64/1999, SG No. 84/2000, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, SG No. 59/2007, SG No. 66/2023) Any and all decisions by the district courts under Article 630, Paragraphs 1 and 2, Article 632, Article 705, Paragraph 2, Article 706a, Paragraph 3, Article 709, Paragraph 1, Article 710, Article 735, Paragraphs 1 and 3, Article 740, Paragraph 2, Article 744, Article 755, Paragraph 2, decisions to reject the application under Article 625, and decisions under Article 701, Paragraph 3 may be appealed under the general procedure of the Code of Civil Procedure within 7 days after the recording or announcement of said decisions in the Commercial Register, as the case may be. Any and all decisions of the appellate court may be appealed before the Supreme Court of Cassation within 14 days after the recording of said decisions in the Commercial Register. Any and all appeals against such decisions shall be considered filed upon the announcement of a notice on the reception of said appeals in the Commercial Register, and any concerned party may submit a response, within 7 days after the announcement of the reception of said appeal, before the appellate court, or, within 14 days after the announcement of the reception of the appeal, before the court of cassation, as the case may be.

(2) (Amended, SG 38/2006, supplemented, SG No. 101/2010) The decisions under Articles 630 and 632 may also be appealed by any third-party holder of any receivable arising out of an effective court decision or effective ruling on a public-law obligation, as well as by any third-party holder of any receivable, secured by a pledge or mortgage recorded in a public register prior to the filing of the application for initiation of bankruptcy proceedings.
(3) (New, SG No. 38/2006, amended, SG No. 59/2007, SG No. 101/2010) Outside the cases under Paragraph 1, the district courts rulings within the bankruptcy proceedings may be appealed only before the competent appellate court under the relevant procedure of the Code of Civil Procedure.
(4) (Renumbered from Paragraph 3, SG No. 38/2006) The court shall open the case on the day of filing of the appeal or the next business day, at the latest, and shall rule thereon within 14 days after the date of the session, wherein the case hearing has been concluded.

Cassation appeal

Article 613b

(New, SG No. 84/2000, repealed, SG No. 58/2003).

Bankruptcy estate

Article 614

(1) The bankruptcy estate shall comprise:
1. the property rights of the debtor at the date of the decision on initiation of the bankruptcy proceedings;
2. the property rights of the debtor acquired after the date of the decision on initiation of the bankruptcy proceedings.
(2) (Amended, SG No. 70/1998, SG No. 58/2003) The property of the debtor - sole trader - shall also include one half of the property, property rights and cash deposits, which are joint spousal ownership.
(3) (New, SG No. 70/1998) The property of the general partner shall also include 1/2 of the property, property rights and cash deposits, which are joint spousal ownership.
(4) (Renumbered from Paragraph 3 and supplemented, SG No. 70/1998) The unseizable property of the debtor and the general partner shall not be included in the bankruptcy estate.
(5) (New, SG No. 70/2008) The bankruptcy estate shall not include the funds under the financial securities under Article 22h and Article 63a, Paragraph 2 of the Subsurface Resources Act.
(6) (New, SG No. 47/2009, effective 23.06.2009) The bankruptcy estate shall not include the assets of a provider of water supply and sewerage services, which are necessary to carry out the provider’s main operation, until a new provider of water supply and sewerage services is appointed in the relevant self-contained territory.
(7) (SG No. 41/2010, amended, SG No. 53/2012, effective 13.07.2012) The bankruptcy estate shall not include the funds in the bank account under Article 60, Paragraph 2 of the Waste Management Act.

Invalidity of the termination of the joint spousal ownership

Article 615

(Amended, SG No. 70/1998)

The termination, partition or increase of the share of the joint spousal ownership shall be invalid with regard to the bankruptcy estate, if it has happened within the 6 months prior to the initial date of the insolvency until the end of the bankruptcy proceedings.

Bankruptcy creditors

Article 616

(1) (Amended, SG No. 38/2006) The bankruptcy estate shall be used to satisfy all debtor's creditors holding commercial and non-commercial receivables.
(2) Only after the full satisfaction of the other creditors, satisfied shall be any receivable arising out of:
1. a legal or contractual interest on an unsecured receivable, payable after the date of the decision on initiation of the bankruptcy proceedings;
2. (supplemented, SG No. 38/2006) credit extended to the debtor by a partner or shareholder;
3. a gratuitous transaction;
4. (new, SG No. 38/2006) the creditors' expenses related to their involvement in the bankruptcy proceedings, with the exception of the expenses under Article 629b.
(3) Foreign creditors shall have equal rights with domestic creditors within the bankruptcy proceedings.

Due liabilities

Article 617

(1) All monetary payables and nonmonetary liabilities of the debtor shall become due as of the date of the decision on declaration of bankruptcy.
(2) (Amended, SG No. 84/2000) The nonmonetary liability shall be converted into a payable at the market value thereof at the date of the decision on initiation of bankruptcy proceedings.

Retention of the securities

Article 618

(1) Within the bankruptcy proceedings, the creditor shall retain the rights under a furnished security.
(2) (Repealed, SG No. 70/1998).

Summons and notifications within the bankruptcy proceedings
(Heading amended, SG No. 38/2006)

Article 619

(1) (Amended, SG No. 84/2000) Within the bankruptcy proceedings, the debtor shall be summoned at its management address, and the creditors, parties to the proceedings, at their indicated addresses in the country. If the creditors have changed their addresses without informing the bankruptcy court thereof, all summonses and papers shall be attached to the case file and considered duly served.
(2) (Amended, SG No. 38/2006) A creditor with a registered office abroad and without an address in the country shall indicate a legal address in the country. If no such address is indicated, the summons shall be sent for announcement in the Commercial Register.
(3) (New, SG No. 84/2000, amended, SG No. 38/2006) After the initiation of the bankruptcy proceedings, for any unappealable rulings not requiring announcement in the Commercial Register hereunder or notification under the procedure of the Code of Civil Procedure, the creditors shall be considered notified upon the recording of a notification on the respective ruling in the register under Article 634c, Paragraph 1.
(4) (New, SG No. 58/2003, amended, SG No. 38/2006) In the cases, provided for herein, requiring summoning by announcement in the Commercial Register, the announcement of the notice, notification or summons shall be made not later than 7 days before the meeting or session, respectively.

Fees and expenses

Article 620

(1) (Amended and supplemented, SG No. 70/1998) Stamp duty on an application for initiation of bankruptcy proceedings filed by the debtor shall not be collected in advance. Stamp duty shall be collected from the bankruptcy estate upon distribution of the property.
(2) (New, SG No. 70/1998, supplemented, SG No. 84/2000) When the application for initiation of bankruptcy proceedings has been filed by a creditor, as well as upon joinder of a creditor, the stamp duty shall be collected from the creditor, respectively from the joined creditor.
(3) (New, SG No. 70/1998) After the initiation of bankruptcy proceedings, any expenses shall be collected from the bankruptcy estate. For this purpose, the court may allow the trustee in bankruptcy to dispose under Article 658, Paragraph 1, Item 8.
(4) (New, SG No. 70/1998) Unless otherwise provided for in the administration plan endorsed by the court under Article 705, by its decision under Article 707, the court shall order the debtor to pay the stamp duty due and any expenses incurred.
(5) (Renumbered from Paragraph 2, SG No. 70/1998, amended, SG No. 84/2000) Under proceedings to supply the bankruptcy estate and under a revocation claim, the stamp duty shall not be deposited in advance.
(6) (Renumbered from Paragraph 3, supplemented, SG No. 70/1998, amended, SG No. 38/2006) No stamp duties shall be collected upon recording in the Commercial Register of any circumstances related to the bankruptcy based on court rulings, as well as upon recording and expungement of an interdiction under Article 630, Paragraph 1, Item 4 and of a general interdiction.
(7) (New, SG No.101/2010) Upon rejection of a claim under Article 645, 646 or Article 647, filed by the trustee in bankruptcy, the legal expenses incurred by a third party shall be collected from the bankruptcy estate.

Obligations of the debtor’s bodies

Article 620a

(New, SG No. 66/2023) In cases of an imminent danger of insolvency, the bodies of the merchant, taking into account the interests of the creditors, partners, shareholders, the sole owner of the capital of the merchant, as well as of the workers and employees, shall take all required measures to avoid the insolvency and over-indebtedness of the merchant without endangering, either deliberately, or with gross negligence, the viability of the enterprise.

Subsidiary application

Article 621

In the absence of special provisions in this Part, the provisions of the Code of Civil Procedure shall be applied accordingly.

Special rules within the bankruptcy proceedings

Article 621a

(New, SG No. 38/2006)
(1) In addition to the rules established in this Part, the following special procedural rules shall also apply within the bankruptcy proceedings:
1. the jurisdiction established by the law for the bankruptcy proceedings may not be changed by agreement between the parties involved;
2. the court may, on its own initiative, find facts and gather evidence relevant to its decisions.
(2) In addition to the claims specified in this Part, the bankruptcy court shall also have jurisdiction, which may not be changed by agreement between the parties involved, over:
1. the claims against the trustee in bankruptcy under Article 663, Paragraphs 2 and 3, regardless of whether the bankruptcy proceedings are pending or closed at the time the claim is raised;

2. the claims justified by Article 646 or Article 647.
(3) Within the bankruptcy proceedings, inapplicable shall be the rules of the Code of Civil Procedure on:
1. stay of proceedings by mutual consent of the parties;
2. withdrawal or abandonment of a creditor's application for initiation of bankruptcy proceedings after a decision under Article 630, Paragraph 1 or 2, or Article 632;
3. withdrawal or abandonment of a claim raised by a trustee in bankruptcy or creditor under Article 645, Paragraph 3, Article 646 or Article 647.

Section II
Recordation and announcement

(Title amended, SG No. 38/2006)

Recording of court decisions

Article 622
(Supplemented, SG No. 70/1998, SG No. 84/2000, amended, SG No. 38/2006)
The court decisions under Article 272a, Paragraph 1, Articles 630, 632, 641, Article 705, Paragraph 2, Article 707, Article 709, Paragraph 1, Article 710, Article 713, Paragraph 2, Articles 735, 740, Article 744, Paragraph 1 and Article 755 shall be recorded in the Commercial Register.
Recording of details on the trustee in bankruptcy and supervisory body

Article 623
(1) (Supplemented, SG No. 70/1998, previous text of Article 623, amended and supplemented, SG No. 58/2003, amended, SG No. 38/2006) The name, telephone number, address and e-mail address of the appointed trustee in bankruptcy or the temporary trustee in bankruptcy, and, in the cases under Article 707, Paragraph 1, of the appointed members of the supervisory body, shall be recorded in the Commercial Register.
(2) Any changes in the circumstances under Paragraph 1 shall also be recorded in the Commercial Register.
Sending the court rulings for recording

Article 624
(Amended, SG No. 70/1998, SG No. 38/2006)
The court shall send for recording in the Commercial Register a copy of the court rulings under Articles 622 and 623 on the day of the ruling or on the following business day at the latest.

Chapter Thirty-Nine
(Renumbered from Chapter Thirty-Five, SG No. 83/1996)
INITIATION OF BANKRUPTCY PROCEEDINGS

Section I
Start of the proceedings

Initiation of the proceedings

Article 625

(Supplemented, SG No. 70/1998, amended, SG No. 84/2000, amended and supplemented, SG No. 58/2003, supplemented, SG No. 38/2006, amended, SG No. 12/2009, effective 1.01.2010 - amended, SG No. 32/2009, amended and supplemented, SG No. 102/2017, effective 31.03.2018)
Bankruptcy proceedings shall be initiated upon written application filed with the court by the debtor or, respectively, by the liquidator or by a creditor of the debtor under a commercial transaction, by the National Revenue Agency for a public-law obligation to the State or municipalities related to the debtor's business or an obligation under a private state receivable, as well as by the General Labour Inspectorate Executive Agency in the event of wages to at least one third of the workers and employees of the merchant, which are payable but are not discharged for more than two months.

Obligation for application

Article 626

(1) (Supplemented, SG No. 84/2000, amended, SG No. 38/2006) Any debtor, who becomes insolvent or over-indebted, shall apply for initiation of bankruptcy proceedings within 30 days.
(2) (Supplemented, SG No. 84/2000, amended, SG No. 38/2006) The application under Paragraph 1 shall be filed by the debtor, a heir thereof, a management body or representative, respectively, liquidator, of a company or a general partner.
(3) The authorised officer shall notify in writing the merchant on the insolvency within 7 days.
(4) When the application is filed by an agent, an express power of attorney shall be required.

Liability

Article 627

Upon failure to perform the obligation for application, the persons under Article 626, Paragraph 2 shall be jointly liable to the creditors for the damages caused by the delay.

Documents attached to the application

Article 628

(1) (Supplemented, SG No. 84/2000) To their application, the debtor or, respectively, the liquidator shall attach:
1. (amended, SG No. 67/2008, SG No. 66/2023) a copy of the last annual financial statement certified by a registered auditor, together with the auditors' report and the balance sheet at the date of the filing of the application, if creation of said financial statement and balance sheet is required by the law;
2. an inventory and evaluation of the assets and liabilities at the date of filing of the application;
3. (amended, SG No. 66/2023) lists of all creditors and debtors thereof, indicating the addresses thereof and the types, sizes, maturities, and securities of the receivables;
4. an inventory of the personal property and the property under joint spousal ownership - for the sole traders and the general partner.
(2) (Supplemented, SG No. 102/2017, effective 31.03.2018) With their application, the creditor or the General Labour Inspectorate Executive Agency shall submit their written evidence and indicate their other evidence of the debtor's insolvency.

(3) (New, SG No. 103/1999, amended, SG No. 105/2005) The debtor or creditor shall attach the evidence under Article 78, para 2 of the Tax and Social Insurance Procedure Code to the application thereof.
(4) (Renumbered from Paragraph 3, SG No. 103/1999, supplemented, SG No. 84/2000, amended, SG No. 66/2023) The debtor shall indicate, in the application thereof, the initial date of insolvency or over-indebtedness, as the case may be, as well as the book value of the assets, the net income from sales, and the average staff headcount for the previous reporting period.
Period of prescription upon filing of the application

Article 628a
(New, SG No. 38/2006)
(1) The filing by a creditor of an application for initiation of bankruptcy proceedings shall interrupt the period of prescription applicable to the receivable, referred to by the applicant as grounds for their application under Article 625. The period of prescription shall be suspended for the duration of the bankruptcy proceedings.
(2) For the creditors joining under Article 629, the rules under Paragraph 1 shall apply as of the time of filing of the joinder application.
(3) If the application for initiation of bankruptcy proceedings is rejected by an effective decision, the prescription period shall not be deemed to be interrupted. The suspension of the period of prescription shall remain in effect.
Review of the application

Article 629
(1) (Amended, SG No. 84/2000, supplemented, SG No. 101/2010, amended, SG No. 66/2023) Any application for the initiation of bankruptcy proceedings filed by a debtor or a liquidator, as the case may be, shall be announced in the Commercial Register and Article 624 shall be applied accordingly. The application shall be heard by the court within 20 days after the reception thereof.
(2) (Supplemented, SG No. 70/1998, amended, SG No. 66/2023) Any application for the initiation of bankruptcy proceedings filed by a creditor shall be heard by the court within 20 days after the reception thereof, in a closed session, summoning both the debtor and the applicant. A copy of the application shall be provided to the debtor.
(3) (New, SG No. 101/2010, amended, SG No. 66/2023) When the debtor files an application under Article 625, until the hearing of the case is concluded at the court of first instance within the proceedings under Paragraph 2, the court shall admit both applications for a joint hearing. If the application has been filed after that point in time, any proceedings thereon shall be suspended until the proceedings under Paragraph 2 are concluded.
(4) (New, SG No. 70/1998, repealed, new, SG No. 84/2000, renumbered from Paragraph 3, SG No. 101/2010, amended, SG No. 66/2023) The court shall admit the applications of the debtor and of the creditor under Article 625 for a joint hearing if the application of the creditor has been filed within 14 days after the announcement in the Commercial Register of an application under Paragraph 1. Any proceedings on an application, filed by the creditor after the expiration of the foregoing time limit, shall be suspended until the proceedings on the application of the debtor are concluded.
(5) (New, SG No. 103/1999, renumbered from Paragraph 4, SG No. 101/2010, amended, SG No. 66/2023) Until the conclusion of the first court session on the case opened on an application of a creditor, other creditors may join the proceedings, objections may be raised, written evidence may be presented, while the debtor shall present the attachments under Article 628, Paragraph 1. Any application to join the proceedings, filed after that point in time, shall be heard by the court within

separate proceedings which shall be suspended until the proceedings on the application under Paragraph 2 are concluded with an effective court ruling.
(6) (New, SG No. 84/2000, renumbered from Paragraph 5, SG No. 101/2010) The court shall initiate the proceedings on the day of the filing of the application and shall set a time limit for decision thereon within three months after the initiation of the proceedings.
Preliminary security measures

Article 629a
(New, SG No. 70/1998)
(1) (Supplemented, SG No. 38/2006) Before announcing its decision on the application for initiation of bankruptcy proceedings, if necessary to preserve the debtor's property, upon request by a creditor or administratively, the bankruptcy court may:
1. appoint in advance a temporary trustee in bankruptcy vested with the powers under Article 635, Paragraph 1;
2. admit the measures under Article 630, Paragraph 1, Item 4;
3. (amended, SG No. 12/2009, effective 1.01.2010 - amended, SG No. 32/2009) decide to stay the enforcement proceedings against the property of the debtor, with the exception of the enforcement proceedings initiated under the Tax and Social-Insurance Procedure Code;
4. admit the measures provided for in Article 642;
5. impose the measures provided for in Article 650.
(2) When the application to impose the measures under Paragraph 1 is made by a creditor, the court shall impose the measures:
1. if the creditor's application is supported by convincing written evidence, or
2. if a security is furnished in the amount specified by the court to compensate the debtor for any damages thereto, in case the debtor is not found to be insolvent or over-indebted, respectively.
(3) The court may also order the creditor to furnish security in the cases under Paragraph 2, Item 1.
(4) (New, SG No. 66/2023) The security measure under Paragraph 1, Item 3 may be imposed by the court also upon request of the debtor, if necessary to protect the property thereof.
(5) (Renumbered from Paragraph (4), SG No. 66/2023) The security measures enforced shall benefit all bankruptcy creditors.
(6) (Renumbered from Paragraph (5), SG No. 66/2023) The court may revoke the security measures imposed if they are no longer required to achieve the objectives of the security.
(7) (Renumbered from Paragraph (6), SG No. 66/2023) Notice on the decision to impose the measures under Paragraph 1 shall be provided to the person, on whom the measures are imposed, and to the person, who has requested the measures to be imposed. The decision may be appealed within 7 days after the receipt of the notice.
(8) (Renumbered from Paragraph (7), SG No. 66/2023) The decision to impose the measures under Paragraph 1 shall be effective immediately. Appeal shall not halt enforcement.
(9) (Renumbered from Paragraph (8), SG No. 66/2023) The security measures shall be considered to be revoked when, by an effective decision, the application for initiation of bankruptcy proceedings is rejected.
(10) (Renumbered from Paragraph (9), SG No. 66/2023) The security measures imposed shall have effect until the date of the decision on initiation of the bankruptcy proceedings. As of that date, their effect shall be replaced by the effect of the decision on initiation of the bankruptcy proceedings, as well as by the effect of the measures imposed under the procedure of Article 630, Paragraph 1, Item 4. The court may impose new security measures pursuant to Article 630, Paragraph 1, Item 1 or extend the effect of the measures imposed under this Article.

Initiation of bankruptcy proceedings upon no property to cover the initial expenses

Article 629b
(New, SG No. 38/2006)
(1) (Amended and supplemented, SG No. 66/2023) When the available property of the debtor is not sufficient to cover the initial expenses, the court shall set the amount to be paid in advance, within a time limit set thereby, by each concerned party in order to initiate the bankruptcy proceedings. The court decision shall be announced in the Commercial Register, and may neither be appealed, nor enforced, but shall indicate the consequences under Article 632, Paragraph 1 if the amount is not paid in advance within the set time limit.
(2) The initial expenses shall be determined by the court depending on the current remuneration of the temporary trustee in bankruptcy and the expected bankruptcy expenses.
(3) When the debtor is a personal company, the court shall decide on the prepayment under Paragraph 1, after taking into consideration the property of the general partners as well.

Section II
Decision

Decision on initiation of the bankruptcy proceedings

Article 630
(1) (Supplemented, SG No. 70/1998) When the court has established insolvency or over-indebtedness, respectively, by its decision, shall:
1. (supplemented, SG No. 70/1998) declare the insolvency or over-indebtedness, respectively, and set the initial date thereof;
2. initiate the bankruptcy proceedings;
3. appoint a temporary trustee in bankruptcy;
4. admit security by attachment, interdiction or other security measures;
5. (amended, SG No. 66/2023) indicate the time limits to present the receivables pursuant to Article 685, Paragraph 1.
(2) (Amended, SG No. 70/1998, SG No. 84/2000, supplemented, SG No. 58/2003, amended, SG No. 12/2009, effective 1.01.2010 - amended, SG No. 32/2009) If the continuation of the business would apparently be detrimental to the bankruptcy estate, the court, upon request by the debtor or, respectively, by the liquidator, the trustee in bankruptcy, the National Revenue Agency or a creditor, may declare the debtor bankrupt and terminate the debtor's business simultaneously with the decision on initiation of the bankruptcy proceedings or later, however, before the time limit to propose a plan under Article 696 has expired.
(3) The decision on initiation of bankruptcy proceedings shall apply to everyone.
(4) (New, SG No. 47/2009, effective 23.06.2009) When adopting decisions on initiation of bankruptcy proceedings for a provider of water supply and sewerage services, the court shall not terminate the provider's operation, until a new provider of water supply and sewerage services is appointed in the relevant self-contained territory.
Decision to reject the application

Article 631
The court shall reject the application upon finding the debtor's difficulties to be temporary or the debtor's disposable property to be sufficient to cover the obligations without prejudice to the creditors' interests.

Compensation

Article 631a

(New, SG No. 58/2003)

(1) When, under an effective decision, a creditor's application for initiation of bankruptcy proceedings has been rejected, the debtor, whether a natural or a juridical person, shall be entitled to damages, if the creditor has acted deliberately or with gross negligence.

(2) Damages shall be payable for any and all directly caused tangible and intangible injuries. Damages may be paid as a single payment or in instalments.

(3) If the debtor has contributed to the injuries, the damages may be reduced.

(4) Damages for intangible injuries shall be determined by the court *ex aequo et bono*.

(5) If the application for initiation of bankruptcy proceedings has been filed by multiple creditors, they shall be jointly liable.

Decision to terminate the proceedings

Article 632

(Amended, SG No. 38/2006)

(1) (Supplemented, SG No. 66/2023) When the available property is not sufficient to cover the initial expenses and the expenses are not prepaid under the procedure of Article 629b, the court shall declare the insolvency or, respectively, the over-indebtedness; set its initial date, initiate the bankruptcy proceedings, admit security by attachment, interdiction or other security measures; terminate the business of the enterprise, declare the debtor bankrupt and suspend the proceedings. In this case, the court shall not order the expungement of the merchant in the Commercial Register. Suspension of the case on such grounds shall be allowed only once during the proceedings, except in the cases under Article 735, Paragraph 2.

(2) Suspended bankruptcy proceedings may be resumed within one year after the recording of the decision under Paragraph 1, upon application by the debtor or by a creditor. The proceedings may be resumed, if the applicant proves that sufficient property is available or deposits the required amount for prepayment of the initial expenses under Article 629b.

(3) Within the resumed proceedings, the time limit to claim the receivables shall commence as of the time of recording of the decision under Paragraph 2.

(4) If, within the time limit under Paragraph 2, no request to resume the proceedings is made, the court shall terminate the bankruptcy proceedings and shall order the expungement of the debtor from the Commercial Register.

(5) The provisions of Paragraphs 1 - 4 shall also apply, if, over the course of the bankruptcy proceedings, the available property of the debtor is found to be insufficient to cover the expenses under the bankruptcy proceedings.

(6) (New, SG No. 18/2011, supplemented, SG No. 66/2023) Within one month after the recording of the decision under Paragraph 1, the debtor shall terminate its employment relationships with its employees, send notifications to that effect to the relevant territorial directorate of the National Revenue Agency, issue the required employment, social-security and income documents, perform the employee notification procedure, create the statements for the persons entitled to guaranteed receivables under the Act on Factory and Office Workers' Claims Guaranteed in the Event of their Employer's Bankruptcy and the regulations on its implementation, and deliver the payrolls to the relevant territorial unit of the National Social Security Institute. Before announcing its decision under Paragraph 4, the court shall verify if the debtor has performed the foregoing obligations and has presented a confirmation of the delivery of the payrolls, issued by the territorial unit of the National Social Security Institute pursuant to Article 5, Paragraph 10 of the Social Insurance Code.

Refunding prepaid amounts

Article 632a
(New, SG No. 38/2006)
The prepaid amounts under Articles 629b and 632 shall be refunded to the respective person, when the bankruptcy estate is sufficiently increased.

Article 633
(Amended, SG No. 38/2006, repealed, SG No. 66/2023).
Immediate effect

Article 634
The decision under Article 630 shall be effective immediately.

Chapter Forty
(Renumbered from Chapter Thirty-Six, SG No. 83/1996)
EFFECT OF THE DECISION ON INITIATION OF BANKRUPTCY PROCEEDINGS

Date of initiation of the bankruptcy proceedings

Article 634a
(New, SG No. 70/1998)
The bankruptcy proceedings shall be deemed initiated as of the date of the decision under Article 630. If any actions under Article 635, Article 636, Paragraph 1, Articles 637, 638 and 646 have been taken prior to this date, they shall be deemed as taken after the initiation of the bankruptcy proceedings.
Court decisions on applications upon initiated bankruptcy proceedings

Article 634b
(New, SG No. 84/2000) (1) The court shall decide within 3 days on any application by a person involved in the proceedings, unless another time limit is set in this Part. When the court decision is appealable, the appellate court shall decide on the appeal within 7 days after the receipt of the appeal and shall give mandatory instructions.
(2) In case of absence of the judge hearing the case, the presiding judge of the bankruptcy court shall designate appoint another judge to hear the case during the absence.
(3) The judge hearing the case shall immediately decide upon request for recusal. The decision to dismiss the request for recusal may be appealed before the presiding appellate judge, who shall decide within 3 days after the receipt of the appeal.
Notices on the court rulings

Article 634c
(New, SG No. 84/2000)
(1) (Supplemented, SG No. 38/2006) The actions of the debtor, the creditors, the creditors' committee, the creditors' meeting, the trustee in bankruptcy, as well as the rulings of the bankruptcy court, shall be recorded in a separate register, which shall be public and shall be available at the bankruptcy court clerk's office. The decisions of the appellate and cassation courts

on appeals against the rulings of the bankruptcy court shall also be recorded in the same register. The register may be kept and stored in electronic format.
(2) (Amended, SG No. 104/2007, SG No. 66/2023) Notices on any and all appealable court decisions, with the exception of the decisions under Article 701, Paragraph 3 and Article 729, Paragraph 1, shall be sent to the concerned parties under the procedure of the Code of Civil Procedure.
(3) (New, SG No. 31/2005) If the debtor is an operator or participant in a payment system recorded in a register of the Bulgarian National Bank, simultaneously with the decision on initiation of bankruptcy proceedings under Article 630, the court shall notify the Bulgarian National Bank on the initiation of bankruptcy proceedings by sending the decision to the Bulgarian National Bank.
(4) (New, SG No. 31/2005, amended, SG No. 83/2019, effective 22.10.2019) If the debtor is an operator or participant in a securities settlement system, simultaneously with the decision on initiation of bankruptcy proceedings under Article 630, the court shall notify the central securities register and, where applicable, the central securities depository with which the securities have been registered of the initiation of bankruptcy proceedings by sending to them the decision on initiation of bankruptcy proceedings.
(5) (New, SG No. 23/2009, effective 1.11.2009) If the debtor is a participant in the government securities settlement system, simultaneously with the decision on initiation of bankruptcy proceedings under Article 630, the court shall notify the Bulgarian National Bank on the initiation of bankruptcy proceeding by sending the decision to the Bulgarian National Bank.
Sending notices on the bankruptcy proceedings to the debtor's company file

Article 634d
(New, SG No. 84/2000, supplemented, SG No. 58/2003, repealed, SG No. 38/2006).
Restriction of the insolvent debtor's rights

Article 635
(1) (Supplemented, SG No. 84/2000) Upon initiation of the bankruptcy proceedings or in the cases under Article 629a, the debtor shall continue their business under the supervision of the trustee in bankruptcy. They may conclude new transactions only with the prior consent of the trustee in bankruptcy and in compliance with the measures imposed with the decision on initiation of the bankruptcy proceedings or with the decision under Article 629a.
(2) The court may deprive the debtor of the right to manage and dispose of the property and delegate this right to the trustee in bankruptcy, upon finding that the debtor actions put the interests of the creditors at risk.
(3) (New, SG No. 38/2006) Within the bankruptcy proceedings, as well as within proceedings under Article 621a, Paragraph 2, Articles 649 and 694, the debtor or, respectively, its bodies, when the debtor is a juridical person, may perform, whether personally or through a person authorised thereby, all procedural actions, which are not expressly delegated to the trustee in bankruptcy.
Payment

Article 636
(1) (Amended, SG No. 38/2006) As of the recording of the decision on initiation of the bankruptcy proceedings, any payment payable to the debtor shall be accepted by the trustee in bankruptcy.
(2) (Amended, SG No. 70/1998, SG No. 38/2006) The payment to the debtor made after the date of the decision on initiation of the bankruptcy proceedings, but prior to the recording, shall be valid, if the payer was not aware of the initiation of the proceedings or, even if being aware, the payment has been added to the bankruptcy estate. Good faith shall be presumed until proven otherwise.

Stay of court proceedings

Article 637

(1) (Supplemented, SG No. 84/2000, SG No. 58/2003) Upon initiation of bankruptcy proceedings, court and arbitration proceedings under civil and commercial cases against the debtor, with the exception of labour disputes on receivables, shall be suspended. This provision shall not apply if, at the date of initiation of the bankruptcy proceedings on another case, wherein the debtor is defendant, the court has admitted for joint hearing a counterclaim or objection for deduction raised by the debtor.

(2) (Amended, SG No. 70/1998, SG No. 38/2006) The suspended proceedings shall be terminated if the receivable is admitted under the terms of Article 693.

(3) (New, SG No. 70/1998) The proceedings suspended pursuant to Paragraph 1 shall be resumed and shall continue with the involvement of:

1. the trustee in bankruptcy and the creditor, if the receivable is not included in the list of receivables admitted by the trustee in bankruptcy or in the list approved by the court under Article 692;

2. (amended, SG No. 38/2006) the trustee in bankruptcy, the creditor and the person filing the objection, if the receivable is included in the list of receivables admitted by the trustee in bankruptcy but an objection against it has been raised under the procedure of Article 692, Paragraph 3.

(4) (New, SG No. 70/1998) The decision under Paragraph 3 shall have a declaratory effect in the relationships among the debtor, the trustee in bankruptcy and all bankruptcy creditors.

(5) (New, SG No. 101/2010) Proceedings against the debtor for receivables secured by third-party property shall not be stayed.

(6) (New, SG No. 58/2003, amended, SG No. 38/2006, renumbered from Paragraph 5, amended, SG No. 101/2010) After the initiation of bankruptcy proceedings, it shall be inadmissible to initiate new court or arbitration proceedings on civil or commercial cases for ownership against the debtor, except for:

1. protection of the rights of the third-party owners of property included in the bankruptcy estate;

2. labour disputes;

3. (new, SG No. 101/2010) receivables secured by third-party property.

Stay of enforcement proceedings

Article 638

(Amended and supplemented, SG No. 70/1998, supplemented, SG No. 103/1999, SG No. 58/2003, amended, SG No. 105/2005, SG No. 38/2006, SG No. 66/2023) (1) With the initiation of the bankruptcy proceedings, any and all enforcement proceedings against any property included in the bankruptcy estate shall be suspended, with the exception of any property under Article 193 of the Tax and Social-Insurance Procedure Code, and any property with a declared buyer under the procedure of the Code of Civil Procedure. In case the price is not fully paid within the legal time limit, or the award ruling is overruled, the enforcement proceedings shall be suspended.

(2) If an enforcement action to liquidate the security to the benefit of a secured creditor has been taken, the court may admit the proceedings to be resumed if the continued suspension might endanger the interests of said creditor. The decision to reject or allow any individual enforcement to proceed, as well as any appeals made against said decision, shall be announced in the Commercial Register and the decision of the appellate court on said appeals shall be final.

(3) When the declared buyer is a claimant, the full sale price shall be paid thereby within 14 days after the decision under Article 630.

(4) If the claimant makes a payment at any time between the initiation of the bankruptcy proceedings and the recording of the decision, the paid amount shall be reintroduced into the bankruptcy estate.
(5) The ruling on the sale-related expenses shall be communicated, via the trustee in bankruptcy, to the debtor under enforcement. In any case, any proceeds from the sale, any proceeds in excess of the size of the security, and any earnest money withheld under Article 493 of the Code of Civil Procedure shall be included into the bankruptcy estate after the coming into force of the award ruling. In case the award ruling is overruled, the enforcement proceedings shall be suspended, and any amounts paid shall be returned to the bidders, with the exception of any earnest money withheld.
(6) The suspended proceedings shall be terminated if the receivable is claimed and admitted under the terms of Article 693. Any attachments and interdictions imposed in the enforcement proceedings shall have no effect vis-a-vis the bankruptcy creditors. No security measures under the procedure of the Code of Civil Procedure or of the Tax and Social-Insurance Procedure Code against the debtor's property shall be allowed after initiation of bankruptcy proceedings.
Receivables arising after initiation of the bankruptcy proceedings
(Heading amended, SG No. 38/2006)

Article 639
(1) (Amended, SG No. 38/2006) The creditors, whose receivables have arisen after the date of the decision on initiation of bankruptcy proceedings shall receive payment on maturity, and when they have not received payment on maturity, they shall be satisfied under the procedure of Article 722, Paragraph 1.
(2) (Repealed, SG No. 38/2006).
Special cases of sale

Article 639a
(New, SG No. 70/1998, repealed, SG No. 84/2000).
Special cases of sale
(Heading new, SG No. 38/2006, amended, SG No. 101/2010)

Article 639b
(1) (Previous text of Article 639b, SG No. 38/2006, amended, SG No. 101/2010, supplemented, SG No. 66/2023) The court may allow the trustee in bankruptcy, based on a well-grounded request, to sell any perishable movable property before any liquidation ruling is made and before a creditors' meeting with an agenda under Article 677, Paragraph 1, Item 8 is convened.
(2) (New, SG No. 101/2010) The court may allow the trustee in bankruptcy to sell, prior to any decision to liquidate, any property, the value of which does not cover the costs of its storage until the general liquidation, upon consent of the creditors' meeting or committee.
(3) (New, SG No. 66/2023) Any other property within the bankruptcy estate may be sold under the procedure of Paragraph 1 if it is necessary to cover the cost of the proceedings and if any concerned party does not make the advance payment towards the expenses, after being notified to do so under the procedure of Article 629b. The court decision under Article 629b, Paragraph 1 shall be announced in the Commercial Register. The contract for sale under Paragraph 1 shall not be executed if an advance payment towards the expenses is made.
(4) (New, SG No. 38/2006, renumbered from Paragraph (2), supplemented, SG No. 101/2010, renumbered from Paragraph (3), amended, SG No. 66/2023) The property under Paragraphs 1 to 3 shall be sold by the trustee in bankruptcy through direct negotiations.

Cooperation of the debtor

Article 640

(1) (Previous text of Article 640, amended, SG No. 84/2000) Within 14 days after initiation of the bankruptcy proceedings, the debtor shall present to the court and the trustee in bankruptcy:
1. any required information related to the business of the enterprise and the debtor's property;
2. (amended, SG No. 90/1999, SG No. 38/2006) a list of the payments made in cash or by a bank transfer exceeding BGN 1,200 within 6 months prior to the initial date of the insolvency;
3. a list of the payments made by the debtor to parties related thereto, for a period of one year prior to the initial date of the insolvency;
4. (new, SG No. 38/2006) a notarised declaration stating the individual property items, property rights and receivables, the names and addresses of the debtor's own debtors.

(2) (New, SG No. 58/2003) The debtor shall provide the court or the trustee in bankruptcy with information on the condition of the debtor's property and business at the date of the request, as well as with all documents related thereto. The information and documents shall be provided within 7 days after the written request thereto.

(3) (New, SG No. 84/2000, renumbered from Paragraph 2, supplemented, SG No. 58/2003) If the debtor fails to fulfil its obligation under Paragraph 1, the court shall impose a fine between BGN 500 and BGN 1,000 on the offender, and under Paragraph 2, the court shall impose a fine between BGN 1,000 and 5,000 on the offender.

Effect of the revocation of the decision on initiation of bankruptcy proceedings

Article 641

(Amended, SG No. 84/2000, SG No. 58/2003, SG No. 38/2006, SG No. 101/2010)
Upon revocation of the decision on initiation of bankruptcy proceedings, any attachment and interdiction imposed shall be considered lifted, the powers of the debtor shall be considered restored and the powers of the trustee in bankruptcy shall be considered terminated as of the time of recording of the effective decision in the Commercial Register.

Security measures

Article 642

(Supplemented, SG No. 38/2006)
Upon request by the trustee in bankruptcy, the debtor or any creditor, the bankruptcy court may admit the measures prescribed by the law to secure the available property of the debtor.

Chapter Forty-One
(Renumbered from Chapter Thirty-Seven, SG No. 83/1996)
SUPPLYING THE BANKRUPTCY ESTATE. SAFEGUARDING MEASURES

Section I
Supplying the bankruptcy estate

Collection of capital not paid in

Article 643

A share or contribution, which a limited partner has failed to pay in or contribute, shall be collected by the trustee in bankruptcy to supply the bankruptcy estate.

Termination of a contract

Article 644

(1) The trustee in bankruptcy may terminate any contract, to which the debtor is a party, provided it has not been performed in full or in part.

(2) The trustee in bankruptcy shall give a 15-day notice upon the termination of the contract.

(3) Upon request by the counterparty, the trustee in bankruptcy shall respond within 15 days whether the trustee decides to keep the contract effective or terminate it. If there is no response, the contract shall be considered to be terminated.

(4) Upon termination of the contract, the other party shall be entitled to damages.

(5) If a contract, under which the debtor makes periodic payments, is kept effective, the trustee in bankruptcy shall not be bound to make any payments overdue at the date of the decision on initiation of the bankruptcy proceedings.

Deduction

Article 645

(1) A creditor may deduct from their receivable any payable of their own to the debtor, if prior to the date of the decision on initiation of bankruptcy proceedings, both payables have been existing, reciprocal, due and of the same kind. If the receivable has become due over the course of the bankruptcy proceedings or as result of the decision to declare bankruptcy, as well as if both payables have become of the same kind as a result of said decision, the creditor may proceed with the deduction only after the payables have become due or of the same kind, respectively.

(2) The deduction notice shall be sent to the trustee in bankruptcy.

(3) (Amended and supplemented, SG No. 70/1998) The deduction may be invalidated vis-a-vis the bankruptcy creditors, if the creditor has acquired their receivable and payable to the debtor prior to the decision on initiation of bankruptcy proceedings, however, at the time of acquiring the receivable or payable, the creditor has been aware of the insolvency or over-indebtedness, respectively, or of the filing for initiation of bankruptcy proceedings.

(4) (Amended and supplemented, SG No. 70/1998, supplemented, SG No. 20/2013) Any deduction by the debtor made after the initial date of the insolvency or over-indebtedness, respectively, however, not earlier than one year prior to the filing of the application, regardless of when both reciprocal payables have arisen, shall be invalid vis-a-vis the bankruptcy creditors, except for the part, which the creditor would receive upon the distribution of the liquidated property.

Invalidity of actions and transactions

(Heading amended, SG No. 20/2013)

Article 646

(1) (Amended, SG No. 70/1998) Invalid vis-a-vis the bankruptcy creditors, if made after the date of the decision on initiation of bankruptcy proceedings and not under the procedure established in the proceedings, shall be any:

1. performance of an obligation arising prior to the date of the decision on initiation of bankruptcy proceedings;
2. pledging or mortgaging any right or property included in the bankruptcy estate;
3. transaction involving any right or property included in the bankruptcy estate.

(2) (Amended, SG No. 70/1998, SG No. 20/2013) Invalidated vis-a-vis the bankruptcy creditors may be the following actions and transactions, performed by the debtor after the initial date of the insolvency or over-indebtedness, respectively, within the time limits indicated in Items 1 - 3 prior to the filing of the application under Article 625:
1. any kind of payment of an undue payable made within one year;
2. any mortgaging or pledging to secure a receivable against the debtor, hitherto unsecured by the debtor, made within one year;
3. any kind of payment of a due debtor's payable made within 6 months.
(3) (New, SG No. 20/2013) If the creditor had been aware that the debtor was insolvent or over-indebted, the time limit under Paragraph 2, Items 1 and 2 shall be two years and the time limit under Paragraph 2, Item 3 shall be one year.
(4) (New, SG No. 20/2013) The awareness under Paragraph 3 shall be assumed, when:
1. the debtor and the creditor are related parties, or
2. the creditor had been aware or able to become aware of circumstances, based on which a well-grounded assumption could be made of the existence of insolvency or over-indebtedness.
(5) (New, SG No. 20/2013) Paragraph 2, Items 1 and 2 shall not apply, if the performance is over the usual course of business of the debtor and when:
1. the performance was agreed upon between the parties simultaneously with the delivery of equivalent goods or service to the benefit of the debtor or within 30 days after the due date of the payable, or
2. after the payment, the creditor has actually delivered to the debtor equivalent goods or service.
(6) (New, SG No. 20/2013) Paragraph 2, Item 2 shall not apply to pledging or mortgaging:
1. prior to or at the time of extending credit to the debtor;
2. to replace another property security, which may not be invalidated in accordance with the rules of this Section;
3. to secure credit extended for the acquisition of the pledged or mortgaged object.
(7) (New, SG No. 20/2013) The invalidity under Paragraph 2 shall not affect the rights purchased in good faith by third parties prior to the recording of the claim. Bad faith shall be presumed until proven otherwise, if the third party is related to either the debtor or the party to the agreement with the debtor.
(8) (New, SG No. 103/1999, renumbered from Paragraph 3, SG No. 20/2013, amended, SG No. 66/2023) The foregoing paragraphs shall not apply in cases where the debtor pays public receivables.

Revocation claims

Article 647

(Amended, SG No. 70/1998, SG No. 84/2000, SG No. 38/2006, SG No. 20/2013) (1) In addition to the cases provided for by the law, the following actions and transactions, if performed by the debtor within the time limits indicated in Items 1 - 6 prior to the filing of the application under Article 625, may be invalidated vis-a-vis the bankruptcy creditors:
1. a gratuitous transaction, with the exception of the customary donation with a party thereunder related to the debtor, performed within three years;
2. a gratuitous transaction performed within two years;
3. an exchange transaction, under which the value given is significantly higher than the value received, performed within two years, however, not earlier than the date of insolvency or over-indebtedness, respectively;

4. establishing a mortgage, pledge or personal security for debts of others, within one year, however, not earlier than the date of the insolvency or over-indebtedness, respectively;
5. establishing a mortgage, pledge or personal security for debts of others to the benefit of a creditor, related party to the debtor, within two years;
6. a transaction with a party thereunder related to the debtor, to the detriment of the creditors, performed within two years.
(2) Paragraph 1 shall also apply to actions and transactions performed by the debtor during the period between the filing of the application under Article 625 and the date of the decision on initiation of the bankruptcy proceedings.
(3) (Amended and supplemented, SG No. 66/2023) The invalidity under this Article shall not affect the rights purchased in good faith by third parties prior to the recording of the application. Bad faith shall be presumed until proven otherwise, if the third party is related to either the debtor or the party to the agreement with the debtor. In these cases Article 646, Paragraph (8) shall apply.
Returning the property given by the third party

Article 648

For a transaction, to which the provisions of Article 646 or 647 have been applied, the property given by the third party shall be returned, and if that property is not found in the bankruptcy estate or is payable, the third party shall become a creditor.
Presentment of a revocation claim

Article 649

(Supplemented, SG No. 70/1998, amended, SG No. 84/2000, SG No. 20/2013) (1) (Amended, SG No. 66/2023) Claims related to the bankruptcy proceedings under Article 645, 646 and 647 hereof, and under Article 135 of the Obligations and Contracts Act, may be made by the trustee in bankruptcy or, upon inaction thereof, by any bankruptcy creditor within two years after the initiation of the proceedings. If the time of the deduction is after the date of the decision on initiation of the bankruptcy proceedings, the time limit shall be as of the time of the deduction.
(2) In the cases under Paragraph 1, the trustee in bankruptcy, respectively, the creditor may also present the court orders to supply the bankruptcy estate issued under the indicated claims.
(3) When the claim is presented by a creditor, the court shall administratively constitute the trustee in bankruptcy as a joint claimant. Upon a claim presented by a creditor under Paragraph 1, another creditor may not present the same claim, but may join the claim not later than the first session under the proceedings.
(4) Within the transaction or action invalidation proceedings, the presumption under Article 135, Paragraph 2 of the Obligations and Contracts Act shall apply to all related parties.
(5) A claim under Paragraph 1 shall be presented before the bankruptcy court. The effective decision shall have effect for the debtor, the trustee in bankruptcy and all creditors.
(6) (Supplemented, SG No. 66/2023) Stamp duties for the courts of all instances under proceedings on claims raised under Paragraph 1 and 2 shall not be paid in advance and the amount of the stamp duty shall be assessed on one-fourth of the price of the claim. If the claim is granted, the subsequent stamp duties shall be collected from the sentenced party, and if the claim is dismissed, the stamp duties shall be collected from the bankruptcy estate.

Section II
Sealing

Order for sealing

Article 650

(1) Upon danger of dissipation, destruction or concealment of property, the bankruptcy court may order the sealing of premises, equipment, vehicles and other places, wherein debtor's property is stored.

(2) Inhabitable residences and premises required for continuation of the debtor's business or storage of perishables shall not be sealed.

Seals

Article 651

(Amended, SG No. 43/2005)

The seals shall be placed by a private enforcement agent. The record of the actions performed shall be sent to the court.

Section III
Inventory of property

Removal of the seals

Article 652

Within 3 days after entering into office, the trustee in bankruptcy must request removal of the seals and inventory of the immovable and movable property, money, valuables, securities, contracts etc., of the debtor's receivables and of the property in possession of third parties.

Inventory

Article 653

(1) (Amended, SG No. 43/2005) The inventory shall be made by the trustee in bankruptcy.

(2) The trustee in bankruptcy shall notify the debtor of the actions under Paragraph 1.

(3) If other property is found after the inventory, a supplementary inventory shall be made.

Liability for the inventoried property

Article 654

The trustee in bankruptcy shall be liable for the inventoried property as of the time of the inventory, if the property has not been handed over to the debtor or a third party for safekeeping.

Chapter Forty-Two
(Renumbered from Chapter Thirty-Eight, SG No. 83/1996)
BODIES AND MANAGEMENT OF THE BANKRUPTCY ESTATE

Section I
Trustee in bankruptcy

Requirements

Article 655

(Amended and supplemented, SG No. 70/1998, supplemented, SG No. 84/2000, amended, SG No. 58/2003, amended, SG No. 38/2006, amended and supplemented, SG No. 59/2006, amended, SG No. 27/2014, SG No. 66/2023) (1) Trustees in bankruptcy may be any natural persons meeting the following requirements:
1. have not been convicted of a felony, unless they have been exonerated;
2. are not a bankrupt debtor, whose rights have not been reinstated;
3. have not been subject to a measure applied under Article 65, Paragraph 2, Item 11 of the Banking Act (promulgated, SG No. 52/1997; amended, SG Nos. 15, 21, 52, 70 and 89/1998, SG Nos. 54, 103 and 114/1999, SG Nos. 1, 24, 63, 84 and 92/2000, SG No. 1/2001, SG Nos. 45, 91 and 92/2002, SG No. 31/2003, SG Nos. 19, 31, 39 and 105/2005, SG Nos. 30, 33 and 34/2006; repealed, SG No. 59/2006), or under Article 103, Paragraph 2, Item 16 of the Credit Institutions Act;
4. holding a law or an economics degree and having at least 5 years of professional experience therein;
5. have successfully taken a qualification examination under the procedure set forth in the ordinance under Article 655a, Paragraph 1, and included in the list of persons who may be appointed as trustees in bankruptcy, endorsed by the Minister of Justice and promulgated in the State Gazette;
6. have not been dismissed as a trustee in bankruptcy pursuant to Article 657, Paragraph 2 hereof, or under Article 29, Paragraph 1, Item 6 or 7, and Article 44, Item 3 of the Bank Bankruptcy Act, unless, after being dismissed, they have been reincluded in the list under Item 5 on the grounds under Paragraph 6;
7. have not been temporarily removed from the list under Item 5 under the procedure of Article 655a, Paragraph 2.
(2) Appointed as trustee in bankruptcy for specific bankruptcy proceedings may be any person meeting the requirements under Paragraph 1 and the following additional requirements:
1. is not a spouse, a lineal relative, collateral relative up to the sixth degree of consanguinity, or an affine up to the third degree of affinity, of the debtor or of a creditor;
2. is not a creditor within the specific bankruptcy proceedings, except as a payee of a remuneration as a trustee in bankruptcy therein;
3. has no relationships with the debtor or a creditor, raising reasonable doubt about said person’s impartiality, and has not represented the debtor or a creditor over the past three years prior to this appointment.
(3) The Minister of Justice may remove the trustee in bankruptcy from the list under Paragraph 1, Item 5 in the following cases:
1. arising of any circumstance under Paragraph 1, Item 6;
2. any violation committed with regard to the duties of a trustee in bankruptcy pursuant to Article 663, Paragraph 2;
3. failure to make a contribution pursuant to Article 655a, Paragraph 2.
(4) The Minister of Justice may remove the trustee in bankruptcy from the list under Paragraph 1, Item 5, pursuant to Paragraph 3, Item 2, not later than 6 months after the violation has been established and not later than three years after it has been committed.
(5) Any and all changes under Paragraph 3 shall be promulgated in the State Gazette.
(6) The trustee in bankruptcy may be reincluded in the list under Paragraph 1, Item 5 after the expiry of a three-year period after the coming into force of the order for the removal of said trustee in bankruptcy from the list, upon submitting an application thereto, if said trustee in bankruptcy

meets the requirements under Paragraph 1, Items 1 to 5. A reinclusion in the list under Paragraph 1, Item 5 on such grounds shall be allowed only once.

Contribution for professional training

Article 655a

(New, SG No. 58/2003)

(1) (Amended, SG No. 41/2024, effective 10.05.2024) The trustee in bankruptcy shall make an annual contribution for professional training, in an amount determined in an ordinance on the procedure for selection, training and control over the trustees in bankruptcy, which shall be issued jointly by the Minister of Justice, the Minister of Economy and Industry and the Minister of Finance.

(2) (Amended, SG No. 66/2023) Failure to make a single contribution under Paragraph 1, within the set time limit, shall be grounds for a temporary removal of the trustee in bankruptcy from the list under Article 655, Paragraph 1, Item 5 for a period of one year after the coming into force of the order of the Minister of Justice. In case a preliminary execution of the order for the temporary removal from the list has been admitted, the one-year period shall include the time during which the trustee in bankruptcy has been removed. Repeated non-performance of the obligation under Paragraph 1 shall be grounds for removal of the person from the list under Article 655, Paragraph 1, Item 5.

(3) (Amended, SG No. 41/2024, effective 10.05.2024) The Minister of Justice, jointly with the Minister of Economy and Industry, shall organise annual training courses for trustees in bankruptcy.

Appointment of the trustee in bankruptcy

Article 656

(Amended, SG No. 84/2000) (1) (Amended, SG No. 66/2023) The bankruptcy court shall appoint the trustee in bankruptcy elected by the creditors' meeting, if they are eligible under Article 655 and have given their prior written consent with a notarised signature. With the same decision, the bankruptcy court shall set the date of entry into office of the trustee in bankruptcy.

(2) Upon their appointment, the trustee in bankruptcy shall declare in writing and with a notarised signature their eligibility hereunder, their involvement in companies as a partner, shareholder, their service as a liquidator, trustee in bankruptcy and other paid positions.

(3) Upon changes to any of the circumstances under Paragraph 2, the trustee in bankruptcy shall immediately notify the bankruptcy court in writing.

(4) (Amended, SG No. 66/2023) The trustee in bankruptcy shall enter into office on the date set by the court. Upon failure to do so, the bankruptcy court shall appoint a caretaker trustee in bankruptcy and shall convene a new creditors' meeting.

(5) (New, SG No. 66/2023) The powers of the trustee in bankruptcy may be exercised by multiple persons. In this case, the decisions shall be adopted unanimously and the actions shall be performed jointly, unless the creditors' meeting or the court, upon disagreement between the persons exercising the powers of the trustee in bankruptcy, decides otherwise.

(6) (New, SG No. 66/2023) When the powers of the trustee in bankruptcy are exercised by multiple persons, adopting decisions unanimously and acting jointly, they shall be jointly liable under Article 633, Paragraphs 3 and 3.

Dismissal of the trustee in bankruptcy

Article 657

(1) The court shall dismiss the trustee in bankruptcy upon:

1. their written request, addressed to the court;
2. interdiction;
3. (new, SG No. 70/1998, amended, SG No. 66/2023) becoming no longer eligible under Article 655, Paragraph 2;
4. (renumbered from Item 3, SG No. 70/1998, amended, SG No. 58/2003) request by the creditors, holding more than half of the total amount of the receivables;
5. (new, SG No. 84/2000) decision of the creditors' meeting;
6. (renumbered from Item 4, SG No. 70/1998, renumbered from Item 5, SG No. 84/2000) actual inability to exercise their powers;
7. (renumbered from Item 5, SG No. 70/1998, renumbered from Item 6, SG No. 84/2000) death.
(2) (Amended, SG No. 66/2023) The court may, at any time, administratively or upon proposal by the debtor, the creditors' committee, or a creditor, after allowing the trustee in bankruptcy to provide explanations in writing, dismiss the trustee in bankruptcy from the proceedings if the trustee in bankruptcy has failed to perform the obligations thereof repeatedly or permanently, or if the non-performance is material in regard of the interests of the creditor or of the debtor.
(3) (Amended, SG No. 70/1998, SG No. 80/2000, SG No. 58/2003) The trustee in bankruptcy dismissed under Paragraph 1, Item 1 shall continue to perform their duties until the entry into office of the new trustee in bankruptcy.
(4) (New, SG No. 84/2000) The following may be appealed before the appellate court:
1. the decision of the bankruptcy court to dismiss the request under Paragraph 1, Items 1 - 6 and under Paragraph 2;
2. the decision of the bankruptcy to grant the request under Paragraph 2.
(5) (New, SG No. 105/2016) The decision of the appellate court, upholding the decision of the bankruptcy court under Paragraph 4, Item 2, may be appealed before the Supreme Court of Cassation.
(6) (New, SG No. 84/2000, renumbered from Paragraph 5, SG No. 105/2016) The decision to dismiss the trustee in bankruptcy shall be effective immediately. The appeal against the decision to dismiss the trustee in bankruptcy shall not suspend the effect thereof. The revocation of the decision to dismiss the trustee in bankruptcy shall not restore the person as a trustee in bankruptcy within the same bankruptcy proceedings. When the decision of the court to dismiss the trustee in bankruptcy is appealed under Paragraph 4, Item 2, the decision may be appealed only by the trustee in bankruptcy.
(7) (New, SG No. 84/2000, supplemented, SG No. 58/2003, renumbered from Paragraph 6, SG No. 105/2016) In the cases under Paragraph 1, Items 1, 2, 3, 5, 6, 7 and Paragraph 2, the court shall convene a creditors' meeting for the election of a new trustee in bankruptcy.
(8) (New, SG No. 84/2000, renumbered from Paragraph 7, SG No. 105/2016) In the cases under Paragraph 1, Items 2, 3, 5 and 6 and Paragraph 2, the court shall appoint a caretaker to perform the functions of the trustee in bankruptcy until the election of a new trustee in bankruptcy.
(9) (New, SG No. 58/2003, renumbered from Paragraph 8, SG No. 105/2016) In the cases under Paragraph 1, Item 4 the creditors shall indicate a trustee in bankruptcy in their request.

Powers of the trustee in bankruptcy

Article 658

(1) The trustee in bankruptcy shall have the following powers:
1. to represent the enterprise;
2. to manage its current affairs;

3. (new, SG No. 84/2000) to supervise the debtor's business in the cases under Article 635, Paragraph 1;
4. (renumbered from Item 3, SG No. 84/2000) to receive under an itemised list, store and keep the business books and the business correspondence of the enterprise;
5. (renumbered from Item 4, SG No. 84/2000) to discover and detail the debtor's property;
6. (renumbered from Item 5, SG No. 84/2000) under the terms provided for by the law, to request termination, dissolution or invalidation of contracts, to which the debtor is party;
7. (renumbered from Item 6, SG No. 84/2000) to be party to the proceedings under the legal actions of the debtor's enterprise and to bring legal action on debtor's behalf;
8. (renumbered from Item 7, SG No. 84/2000) to collect the debtor's receivables and deposit the proceeds to a special bank account;
9. (renumbered from Item 8, SG No. 84/2000) upon permission by the court, to dispose of the amounts in the debtor's bank accounts, as needed, in order to manage and preserve the property;
10. (renumbered from Item 9, SG No. 84/2000) to discover and detail the debtor's creditors;
11. (renumbered from Item 10, SG No. 84/2000) under decision by the court, to convene and organise the creditors' meetings;
12. (renumbered from Item 11, SG No. 84/2000) to propose a plan under Article 696;
13. (renumbered from Item 12, SG No. 84/2000) to perform actions to terminate the debtor's membership or holdings in companies;
14. (new, SG No. 66/2023) to take action to impose any security measures admitted by the bankruptcy court;
15. (new, SG No. 66/2023) to present a plan for the liquidation of the bankruptcy estate;
16. (renumbered from Item 13, SG No. 84/2000, renumbered from Item 14, SG No. 66/2023) to liquidate the property in the bankruptcy estate;
17. (renumbered from Item 14, SG No. 84/2000, renumbered from Item 15, SG No. 66/2023) to perform any other actions provided for by the law or assigned by the court.
(2) The trustee in bankruptcy shall exercise their powers in accordance with the development of the bankruptcy proceedings and the rulings of the court.
(3) (New, SG No. 38/2006) All State bodies and organisations shall assist the exercising of the trustee in bankruptcy's powers.

Accountability

Article 659

(1) (Amended, SG No. 84/2000, SG No. 66/2023) The trustee in bankruptcy shall keep a dedicated electronic record of all actions of said trustee in bankruptcy related to the management and disposal of items and rights from the debtor's property or from the bankruptcy estate. When the functions of a trustee in bankruptcy are performed by two or more persons, the differences of opinion between them and the adopted decisions shall be noted in the journal. The form and rules for such record keeping shall be set forth in an ordinance issued by the Minister of Justice.
(2) (Supplemented, SG No. 58/2003, SG No. 66/2023) The trustee in bankruptcy shall submit to the court and the creditors committee a report on its activity on a monthly basis or immediately upon request. The monthly report shall contain information on the implementation of the liquidation plan for the respective period, the reasons for any non-implementation thereof, and the measures taken to address said non-implementation.
(3) (New, SG No. 84/2000) Upon request by a creditor, the trustee in bankruptcy shall submit the journal under Paragraph 1, the report under Paragraph 2, as well as a report on the specifically raised issues, if they are not reflected in the report under Paragraph 2 for the respective period.

Due care

Article 660

(1) (Amended, SG No. 70/1998, supplemented, SG No. 66/2023) The trustee in bankruptcy shall exercise their powers with the care of a prudent businessperson adhering to the rules in the Trustees' Code of Conduct.

(2) (New, SG No. 66/2023) The Minister of Justice shall approve the Trustees' Code of Conduct endorsed by the trustees' organisations.

(3) (Renumbered from Paragraph (2), SG No. 66/2023) The trustee in bankruptcy may not delegate their powers to another person, except with the express permission by the court.

Fee

Article 661

(Amended, SG No. 84/2000)

(1) The trustee in bankruptcy shall receive a remuneration for their work - current and final, in an amount determined by the creditors' meeting. A decision on the manner to determine the final remuneration of the trustee in bankruptcy may be adopted even prior to the completion of the trustee in bankruptcy's activity.

(2) (Amended, SG No. 105/2016) The court shall determine a current remuneration for the temporary trustee in bankruptcy, as well as for the trustee in bankruptcy in the cases under Article 657, Paragraph 7 upon their appointment.

(3) (Amended, SG No. 66/2023) The current remuneration, with the payable social security contributions, shall be paid on a monthly basis.

(4) (Amended, SG No. 58/2003) The final remuneration of the trustee in bankruptcy may be determined even upon adoption of an administration plan or upon reaching an out-of-court settlement between the debtor and its creditors, respectively, depending on the following circumstances:

1. adherence to the procedural time limits;
2. whether the list of the receivables admitted by the trustee in bankruptcy is approved by the court without amendments thereto;
3. the actions performed and the claims granted to supply the bankruptcy estate;
4. termination of the bankruptcy proceedings due to endorsement of an administration plan;
5. the liquidation of the property upon declaration of bankruptcy;
6. other circumstances relevant to the time limit of the proceedings and to the bankruptcy estate.

(5) The final remuneration may be determined even as a percentage of the property supplied to the bankruptcy estate and/or percentage of the value of the liquidated assets.

(6) When the creditors' meeting has failed to adopt a decision on election of a trustee in bankruptcy or on the remuneration of the trustee in bankruptcy, it shall be determined by the court.

Restrictions

Article 662

(1) (Amended, SG No. 84/2000) The trustee in bankruptcy may not negotiate on behalf of the debtor either with themselves or with a party related to them.

(2) The trustee in bankruptcy may not acquire in any way, directly or through another party, any property or right from the bankruptcy estate. This restriction shall apply also to the trustee in bankruptcy's spouse, lineal relatives, collateral relatives up to the sixth degree of consanguinity and affines up to the third degree of affinity.

(3) The trustee in bankruptcy shall not disclose any information, details or facts, which have become known to them in relation to the exercising of their powers.
(4) (Repealed, SG No. 70/1998).
Liability and measures
(Title amended, SG No. 66/2023)
Article 663
(1) (Supplemented, SG No. 66/2023) When the trustee in bankruptcy fails to perform their duties or performs them poorly, the court may impose a fine, which, for each individual case, may not exceed the amount of the trustee in bankruptcy's monthly remuneration. Such imposed fine may be revoked upon request by the trustee in bankruptcy, filed within 7 days with the bankruptcy court. The decision to dismiss the request may be appealed with a private appeal before the respective appellate court and the decision whereof shall be final.
(2) (New, SG No. 66/2023) When the trustee in bankruptcy has committed violations with regard to their duties as a trustee in bankruptcy, whether established by the bankruptcy court or not, considering the severity of the violation and the circumstances wherein it was committed, the Minister of Justice, after allowing the trustee in bankruptcy to provide explanations in writing, may:
1. issue a notice in writing whereby warning the trustee in bankruptcy that they may be removed from the list under Article 655, Paragraph 1, Item 5;
2. remove the trustee in bankruptcy from the list under Article 655, Paragraph 1, Item 5.
(3) (Renumbered from Paragraph (2), SG No. 66/2023) The trustee in bankruptcy shall owe late charge in the amount of the legal interest for any delay to deposit the proceeds in a bank.
(4) (Renumbered from Paragraph (3), SG No. 66/2023) The trustee in bankruptcy shall owe the creditors damages for any wrongful injury caused thereto upon exercising the trustee in bankruptcy's powers.
Insurance

Article 663a
(New, SG No. 58/2003)
(1) The trustee in bankruptcy shall insure themselves for the duration of its appointment as trustee in bankruptcy under the specific proceedings against any damages caused by wrongful non-performance of the trustee in bankruptcy's duties. The minimum amount of the insured amount shall be determined in the ordinance under Article 655a, Paragraph 1.
(2) The obligation under Paragraph 1 shall be fulfilled within three days after the election and prior to entry into office.
Report of the trustee in bankruptcy upon termination of activity

Article 664
(1) Upon termination of their activity, the trustee in bankruptcy shall submit a written report within a time limit specified by the court.
(2) The newly appointed trustee in bankruptcy, the debtor, the creditors committee or a creditor may raise objection to the report within 7 days after its submission.
(3) (Supplemented, SG No. 84/2000) Within 14 days after receipt of the objection, the court shall rule on the objection with a decision, which may not be appealed.
(4) (Repealed, SG No. 66/2023).
Handover of the business books and the property

Article 665
(Amended, SG No. 84/2000, SG No. 66/2023)

(1) The trustee in bankruptcy, upon termination of the activity thereof and within 7 days after the entry into office of the new trustee in bankruptcy, shall hand over, under an itemised list, all business books, the record and all reports under Article 659, as well as any property at the disposal thereof, to the new trustee in bankruptcy or to another person indicated by the court, or to the debtor in the cases under Article 707, Paragraph 1.
(2) In the cases under Article 657, Paragraph 1, Items 2 and 7, the foregoing items shall be handed over by the person keeping said items, within 14 days after the coming into office of the new trustee in bankruptcy.
(3) Upon any delay of more than 7 days, the court may impose, for the period of the delay, a fine commensurate to the remuneration of the trustee in bankruptcy. The decision to impose the fine may be appealed under the procedure in Article 663, Paragraph 1, second and third sentences.

Section II
Temporary trustee in bankruptcy

Appointment of a temporary trustee in bankruptcy

Article 666
(Supplemented, SG No. 84/2000)
The court shall appoint the temporary trustee in bankruptcy with the decision on initiation of the bankruptcy proceedings, or in the cases under Article 657, if the trustee in bankruptcy is eligible under Article 655 and has given their written consent.
Dismissal of the temporary trustee in bankruptcy

Article 667
(Amended, SG No. 84/2000, supplemented, SG No. 66/2023)
The temporary trustee in bankruptcy shall be dismissed under the terms of Article 657 and upon appointment of a trustee in bankruptcy elected by the creditors' meeting. When the temporary trustee in bankruptcy is dismissed before a creditors' meeting is held to appoint a permanent trustee in bankruptcy under Article 674, Paragraph 2, the functions thereof shall be performed by a caretaker trustee in bankruptcy appointed by the court.
Powers of the temporary trustee in bankruptcy

Article 668
(Amended, SG No. 66/2023) The temporary trustee in bankruptcy shall have the powers under Article 658. In addition, within 14 days after the date of the decision for the initiation of the bankruptcy proceedings, they shall present:
1. (supplemented, SG No. 84/2000, SG No. 105/2016, repealed, SG No. 66/2023);
2. (new, SG No. 84/2000) an abstract of the business books, certified by the temporary trustee in bankruptcy;
3. (renumbered from Item 2, SG No. 84/2000) a written report on the reasons for the insolvency, the condition of the property and the measures taken to protect it as well as the possibilities for administration of the enterprise.

Section IIa
(New, SG No. 105/2016, repealed, SG No. 66/2023)
Assistant trustee in bankruptcy

Article 668a
(New, SG No. 105/2016, repealed, SG No. 66/2023).

Article 668b
(New, SG No. 105/2016, repealed, SG No. 66/2023).

Section III
(Repealed, SG No. 66/2023)
First creditors' meeting

Article 669
(Supplemented, SG No. 70/1998, amended and supplemented, SG No. 84/2000, supplemented, SG No. 105/2016, repealed, SG No. 66/2023).

Article 670
(Amended, SG No. 84/2000, SG No. 38/2006, supplemented, SG No. 105/2016, repealed, SG No. 66/2023).

Article 671
(Repealed, SG No. 66/2023).

Article 672
(Amended and supplemented, SG No. 84/2000, repealed, SG No. 66/2023).

Section IV
Creditors' meeting

Holding creditors' meeting and voting power

Article 673
(1) The creditors' meeting shall be convened after the approval of the list under Article 692 by the court.
(2) After the receivables are admitted, only the creditors with admitted receivables shall have voting power at the creditors' meeting.
(3) (Amended and supplemented, SG No. 70/1998, amended, SG No. 58/2003, SG No. 66/2023) The court may also vest voting power in a creditor under Article 637, Paragraph 3, in a creditor with an unadmitted receivable if said creditor has presented a request under Article 694, as well as in a creditor with an admitted receivable, when a request to declare said creditor's receivable invalid has been presented under Article 694, if convincing written evidence has been presented in support of the validity of the receivable thereof.
(4) No voting power under Paragraph 3 shall be granted to a creditor under Article 616, Paragraph 2.

Convening the creditors' meeting

Article 674

(Amended, SG No. 84/2000)

(1) The court shall convene the creditors' meeting upon request by the debtor, by the trustee in bankruptcy, by the creditors' committee or by creditors holding 1/5 of the amount of the admitted receivables within 7 days after the filing of the request.

(2) (Amended, SG No. 38/2006, supplemented, SG No. 66/2023) The creditors' meeting shall be convened without delay upon the approval of the list of admitted receivables by the court under Article 692, Paragraph 4, or, if there are no objections, under Article 692, Paragraph 1, with an agenda under Article 677, Item 8, as well as to appoint a permanent trustee in bankruptcy and set the permanent remuneration thereof.

Notice of the creditors' meeting

Article 675

(1) (Supplemented, SG No. 84/2000, SG No. 38/2006) The notice of the creditors' meeting shall contain the debtor's business name, unified identification code and registered office, the agenda, date, time and place, where the meeting will be held.

(2) (Amended, SG No. 38/2006, supplemented, SG No. 66/2023) The notice shall be announced in the Commercial Register, whereupon all creditors, the debtor and the trustee in bankruptcy shall be considered duly notified thereon.

Adopting decisions

Article 676

(1) (Amended, SG No. 84/2000) The creditors' meeting shall be held, regardless of the number of attendees, and shall be presided by the judge hearing the case.

(2) For the adoption of a decision, each creditor shall have the number of votes commensurate with the part of the creditor's receivable of the total amount of the admitted receivables and the receivables with voting power under Article 673, Paragraph 3.

(3) Decisions shall be adopted by simple majority, unless otherwise provided for herein.

(4) (New, SG No. 84/2000, amended, SG No. 66/2023) The creditors may participate either in person, or by a proxy holding an express power of attorney to participate in the meeting(s). When the creditor is a natural person, the authorisation must bear a notarised signature.

Powers of the creditors' meeting

Article 677

(1) The creditors' meeting shall:

1. hear the report on the trustee in bankruptcy's activity;
2. hear the report of the creditors' committee;
3. (amended, SG No. 84/2000, SG No. 66/2023) appoint a trustee in bankruptcy;
4. (amended, SG No. 84/2000) adopt a decision to dismiss and replace the trustee in bankruptcy;
5. (amended, SG No. 58/2003) determine or amend the amount of the current remuneration and the amount of the final remuneration of the trustee in bankruptcy;
6. elect a creditors' committee, if not elected, or amend its composition;
7. propose to the court the amount of the allowance for the debtor and their family;
8. (new, SG No. 84/2000, amended, SG No. 58/2003, SG No. 66/2023) determine the manner of liquidation of the debtor's property, i.e., in full, in self-contained parts thereof, or of separate property rights, the method and the terms of valuation of the property, the appointment of valuers and the remuneration thereof.

(2) When the creditors' meeting fails to adopt a decision under Paragraph 1, Item 3, the trustee in bankruptcy shall be appointed by the court. The decision of the court may not be appealed.
(3) Minutes shall be taken at the creditors' meeting and signed by the presiding judge and the minute taker.
(4) (New, SG No. 84/2000) When the creditors' meeting fails to adopt a decision under Paragraph 1, Item 8, the decision shall be adopted by the trustee in bankruptcy.
(5) (New, SG No. 66/2023) Only a person, recorded in the Register of Independent Valuers under the Independent Valuers Act, may be appointed as valuer under Paragraph 1, Item 8 and in the cases under Paragraph 4.

Effect of the decisions of the creditors' meeting

Article 678

(1) (Previous text of Article 678, SG No. 66/2023) The decisions of the creditors' meeting shall have a binding effect on all creditors, including those absent.
(2) (New, SG No. 66/2023) Any decisions adopted by the creditors' meeting out of the competence thereof shall be null and void.

Revocation of a decision of a creditors' meeting under judicial procedure

Article 679

(1) (Supplemented, SG No. 66/2023) Upon request by the debtor or by a creditor, the bankruptcy court may revoke a decision of the creditors' meeting, if the decision is unlawful or materially prejudicial to part of the creditors. In case the decision is null and void, it shall be declared null and void by the court.
(2) (Amended, SG No. 84/2000, supplemented, SG No. 38/2006, SG No. 66/2023) The request shall be made within 7 days after the meeting and shall be heard by a different panel of the bankruptcy court, summoning the debtor and the creditors through the announcement of the notice thereon in the Commercial Register. The court shall hear the request not later than 14 days after the receipt thereof.
(3) (Repealed, SG No. 66/2023).
(4) (Amended, SG No. 84/2000) The court shall rule with a decision.
(5) (New, SG No. 66/2023) Any decision adopted by the creditors' meeting in contravention of a decision under Paragraph 4 shall be null and void.

Section V
Creditors' committee

Optionality

Article 680

(1) The creditors' meeting may appoint a creditors' committee consisting of not less than three and not more than nine members.
(2) The creditors' committee shall include persons representing both the secured and unsecured creditors, except those under Article 616, Paragraph 2.

Powers

Article 681

(1) (Amended and supplemented, SG No. 84/2000) The creditors' committee shall assist and control the actions of the trustee in bankruptcy with regard to the management of the property, shall

inspect the business books and the cash balance, and shall notify the court in the cases under Article 657.
(2) The cash balance shall be inspected at least once a month and the bankruptcy court shall be notified on the result.
(3) (New, SG No. 58/2003) The creditors' committee may, proactively or upon request by the court, provide opinions concerning the continuation of the business of the debtor's enterprise, the remuneration of the temporary and the caretaker trustee in bankruptcy, the liquidation actions, the liability of the trustee in bankruptcy under Article 663, Paragraph 1, and on other matters.
Fee

Article 682
(1) The members of the creditors' committee shall be entitled to remuneration, which shall be determined at the time of their appointment and shall be at the expense of the creditors.
(2) Upon request by the creditors' committee, any unpaid remuneration shall be deducted upon distribution of the liquidated property commensurate to the payable receivables.
No acquisition of property

Article 683
Member of the creditors' committee may not acquire in any way, either directly or through another person, any property or right from the bankruptcy estate. This restriction shall also apply to the spouse of a member of the creditor's committee, to their lineal relatives, collateral relatives up to the sixth degree of consanguinity, and affines up to the third degree of affinity.
Subsidiary application of the Obligations and Contracts Act

Article 684
Whenever the relationships between the creditors' committee and the creditors are not regulated by this Section or by a contract, the provisions of Articles 280 - 292 of the Obligations and Contracts Act shall apply.

Chapter Forty-Three
(Renumbered from Chapter Thirty-Nine, SG No. 83/1996)
PRESENTMENT OF THE RECEIVABLES

Application for the presentment of a receivable
(Title amended, SG No. 66/2023)

Article 685
(1) (Amended, SG No. 84/2000, SG No. 38/2006) The creditors shall present their receivables in writing before the bankruptcy court within one month after the recording in the Commercial Register of the decision on initiation of the bankruptcy proceedings.
(2) (Amended, SG No. 84/2000, SG No. 66/2023) The application for the presentment of a receivable shall be filed using a standard form specified in the ordinance under Article 693a and must contain:
1. indication of the bankruptcy court and case;
2. the name and address of the creditor, of the legal representative or agent thereof, if any, as well as the personal number (or unified identification code, as the case may be), the e-mail address, if any, and the legal address thereof in the country;

3. description of the circumstances whereon the receivable and its size are based;
4. the preferences (privileges) and securities;
5. request to admit the receivable;
6. the creditor's bank account whereto the funds from the distributions, associated with the admitted receivables thereof, shall be transferred;
7. signature of the person who submits the statement.
(3) (New, SG No. 66/2023) The creditor shall present, attached to the application under Paragraph 2, the power of attorney if an agent files the application. The application shall be presented with a copy for the trustee in bankruptcy.
(4) (New, SG No. 66/2023) In addition, the creditor shall present, attached to the application under Paragraph 2, any and all written evidence of the receivable.
Period of prescription for a receivable within the bankruptcy proceedings

Article 685a
(New, SG No. 38/2006)
(1) The presentment of a receivable within the bankruptcy proceedings shall interrupt the period of prescription. The period of prescription shall be suspended for the duration of the bankruptcy proceedings.
(2) If the receivable presented is not admitted within the bankruptcy proceedings and a request for a declaratory decision is presented for its establishment, the period of prescription for the receivable shall be interrupted. If the request is not granted, the period of prescription shall not be considered interrupted.
(3) If a receivable presented is not admitted and the creditor fails to present a request for a declaratory decision within the time limit under Article 694, the period of prescription shall not be considered interrupted.
(4) Upon the termination of the bankruptcy proceedings under the procedure of Article 632, Paragraph 5, a new period of prescription under Article 110 of the Obligations and Contracts Act shall commence, whereas under Article 740, Paragraph 2, the rules of Article 707b shall apply. If a request is filed to resume the bankruptcy proceedings, no period of prescription shall run for the admitted receivables for the duration of the bankruptcy proceedings.
List of the presented receivables

Article 686
(Amended, SG No. 84/2000, SG No. 58/2003)
(1) (Amended, SG No. 66/2023) Within 14 days after the expiration of the time limit under Article 685, Paragraph 1, the trustee in bankruptcy shall create:
1. a list of the receivables presented and admitted in the order of their submission, indicating the creditor, the amount and the grounds of the receivable, the privileges and the securities, the date of presentment;
2. a list of the receivables under Article 687;
3. (amended, SG No. 38/2006) a list of the receivables presented and unadmitted; an annual financial statement for the preceding calendar year and for the last month before the date of initiation of the bankruptcy proceedings.
(2) The documents under Paragraph 1 shall be made available to the creditors and the debtor at the court clerk's office.
Administrative recording

Article 687

(1) (Previous text of Article 687, SG No. 84/2000, amended, SG No. 38/2006, SG No. 102/2017, effective 22.12.2017, SG No. 15/2018, effective 16.02.2018) Any receivable of a worker or employee, resulting from an employment relationship or an employment relationship with the debtor terminated shall be entered ex officio by the trustee in bankruptcy in the list of accepted receivables.
(2) (New, SG No. 84/2000) The trustee in bankruptcy shall also record administratively in the list of presented receivables any public receivable established by an effective act.

Additional presentment

Article 688

(1) (Supplemented, SG No. 84/2000, amended, SG No. 58/2003, SG No. 38/2006) Any receivable presented after the expiration of the time limit under Article 685, Paragraph 1, but not later than two months thereafter, shall be recorded in the list of presented receivables and shall be admitted under the procedure provided for by the law. After the expiration of this time limit, no receivables, which have arisen prior to the date of initiation of the bankruptcy proceedings, may be presented.
(2) A creditor with a receivable under Paragraph 1 may not contest any receivable already admitted or any distribution made and shall be satisfied from the balance, if the liquidated property is distributed. Any additional expenses incurred to admit their receivable shall be at the expense of the creditor.
(3) (New, SG No. 84/2000, amended, SG No. 38/2006) Any outstanding receivables, arising after the date of initiation of the bankruptcy proceedings and before the endorsement of an administration plan, shall be presented under the procedure of this Chapter. The trustee in bankruptcy shall create an additional list of such receivables.
(4) (New, SG No. 84/2000, repealed, SG No. 38/2006).

List of the receivables admitted by the trustee in bankruptcy

Article 689

(Amended, SG No. 84/2000, SG No. 58/2003, SG No. 38/2006)
The trustee in bankruptcy shall submit for announcement in the Commercial Register the lists and the financial statements immediately after they are created, and shall make them available to the creditors and the debtor at the court clerk’s office.

Contesting the list

Article 690

(Amended and supplemented, SG No. 84/2000, amended, SG No. 58/2003)
(1) (Amended, SG No. 38/2006) The debtor or a creditor may submit to the court an objection in writing, with a copy addressed to the trustee in bankruptcy, to a receivable admitted or unadmitted by the trustee in bankruptcy, within 7 days after the announcement under Article 689.
(2) (Supplemented, SG No. 66/2023) The trustee in bankruptcy shall present to the court an opinion on each objection within three days after its receipt but not later than the date of the court session to hear the objections. Such objections may concern the grounds, size, security, or preference of the receivable in question.

Incontestable receivable

Article 691

Incontestable shall be any receivable, established by an effective court decision after the date of the decision on initiation of the bankruptcy proceedings, to which the trustee in bankruptcy was party.

Approval of the list of the receivables admitted by the trustee in bankruptcy

Article 692
(Supplemented, SG No. 70/1998, amended, SG No. 84/2000)
(1) (Amended, SG No. 58/2003, SG No. 38/2006) When no objections to the lists under Article 686, Paragraph 1 have been received, the court shall approve the list of the admitted and administratively recorded receivables in a closed session immediately after the expiration of the time limit under Article 690, Paragraph 1. The court shall rule with a decision.
(2) (New, SG No. 38/2006) If any objections to the lists under Article 686, Paragraph 1 have been received under the procedure of Article 690, Paragraph 1, the court shall rule on the lists upon hearing the objections.
(3) (Amended, SG No. 58/2003, renumbered from Paragraph 2, SG No. 38/2006) The court shall hear the objections received in an open session, summoning the trustee in bankruptcy, the debtor, the creditor, whose receivable's inclusion or non-inclusion in the list is being contested, and the creditor raising the objection. When possible, all objections shall be heard in a single court session.
(4) (Renumbered from Paragraph 3, SG No. 38/2006) When the court finds the objections to be with merit, the court shall approve the list upon making the respective amendment. Otherwise, the court shall dismiss the objections. The court shall rule with a decision within 14 days after the session under Paragraph 2.
(5) (Renumbered from Paragraph 4, amended, SG No. 38/2006) The court decision to approve the list shall be announced in the Commercial Register.
(6) (New, SG No. 58/2003, renumbered from Paragraph 5, amended, SG No. 38/2006) The decisions under Paragraphs 1 and 4 may not be appealed.
Admitted receivable

Article 693
(Amended, SG No. 70/1998, SG No. 84/2000)
A receivable admitted within the bankruptcy proceedings shall be any receivable included in the list of admitted receivables approved by the court under Article 692, with the exception of any receivable under Article 694, Paragraph 1.

Standard Forms

Article 693a
(New, SG No. 66/2023) The Minister of Justice shall issue an ordinance approving the standard forms of:
1. the application for the presentment of a receivable;
2. the lists under Article 686, Paragraph 1 and Article 688, Paragraphs 1 and 3;
3. distribution account;
4. the monthly reports under Article 659, Paragraph 2 and the report under Article 664, Paragraph 1 of the trustee in bankruptcy;
5. the declaration and consent of the trustee in bankruptcy under Article 656, Paragraphs 1 and 2;
6. the record under Article 659, Paragraph 1.
Presentment of requests for declaratory decisions
(Heading new, SG No. 38/2006)

Article 694
(Repealed, SG No. 70/1998, new, SG No. 84/2000, amended, SG No. 58/2003, amended and supplemented, SG No. 38/2006, amended, SG No. 105/2016)
(1) The debtor may present a request to declare invalid:

1. an admitted receivable, if the debtor has raised an objection under Article 690, Paragraph 1, but the court has dismissed the objection;
2. a receivable, included in the list of admitted receivables with the decision under Article 692, Paragraph 4.
(2) Any creditor with an unadmitted receivable may present a request to declare an unadmitted receivable valid, if:
1. the creditor has raised an objection under Article 690, Paragraph 1, but the court has dismissed their objection;
2. the receivable presented by the creditor has been excluded from the list of admitted receivables with the decision under Article 692, Paragraph 4 upon an objection by the debtor or another creditor.
(3) Any creditor may present a request to declare invalid:
1. an admitted receivable of another creditor, if the requisitioner has raised an objection under Article 690, Paragraph 1, but the court has dismissed the objection;
2. a receivable of another creditor, included in the list of admitted receivables with the decision under Article 692, Paragraph 4.
(4) The trustee in bankruptcy shall be party to the proceedings under Paragraphs 1 - 3. The creditors with admitted receivables under Article 693 and the creditors with receivables, subject to requests presented under Paragraphs 1 - 3, may join the proceedings under Paragraph 2 as third-party debtor's assistants.
(5) If a request under Paragraph 1 has been presented by the debtor or a request under Paragraph 3 has been presented by a creditor, no other creditor may present the same request, but may join the proceedings under the presented request as a joint claimant until the first session on the case.
(6) (Supplemented, SG No. 66/2023) Any request under Paragraphs 1 - 3 shall be presented before the bankruptcy court within 14 days after the date of announcement in the Commercial Register of the decision of the court under Article 692, Paragraph 4, and shall be heard by a different court panel. Such requests may also concern only the security or preference of the receivable in question.
(7) The stamp duty shall be assessed on one quarter of the receivable, for which the request for a declaratory decision is presented. Upon presentment of the request, no stamp duty shall be deposited in advance. If the request is dismissed, the expenses shall be borne by the claimant.
(8) The effective court decision on a request under Paragraphs 1 - 3 shall have declaratory effect in the relationships among the debtor, the trustee in bankruptcy and all creditors within the bankruptcy proceedings.
(9) In the administration plan or upon the distribution of the liquidated property, respectively, reserves shall be allocated for unadmitted receivables subject to requests for declaratory decisions.
Supplementing the list

Article 695

The list approved by the court shall be supplemented by the subsequently presented and admitted additional receivables under the procedure provided for by the law.

Chapter Forty-Four
(Renumbered from Chapter Forty, SG No. 83/1996)
ADMINISTRATION OF THE ENTERPRISE

Administration plan

Article 696

(Amended, SG No. 84/2000)

An administration plan may provide for a deferral or rescheduling of payments, partial or full discharge of the payables, reorganisation of the enterprise or the performance of other actions or transactions.

Proposing a plan

Article 697

(1) A plan may be proposed by:

1. the debtor;
2. the trustee in bankruptcy;
3. the creditors holding at least 1/3 of the secured receivables;
4. the creditors holding at least 1/3 of the unsecured receivables;
5. the partners or the shareholders, respectively, holding at least 1/3 of the capital of the debtor company;
6. a general partner;
7. twenty percent of the total number of the debtor's workers and employees.

(2) The creditors with the receivables indicated under Article 616, Paragraph 2 may not propose a plan.

(3) (New, SG No. 84/2000) An administration plan may not be proposed in the cases under Article 630, Paragraph 2.

Time limit to propose a plan

Article 698

(1) (Amended, SG No. 70/1998, SG No. 84/2000, SG No. 38/2006, SG No. 66/2023) A plan may be proposed not later than two months after the announcement, in the Commercial Register, of the court decision under Article 692 approving the list of admitted receivables presented within the time limit under Article 688, Paragraph 1 after the announcement, in the Commercial Register, of the court decision under Article 692.

(2) More than one plan may be proposed within the bankruptcy proceedings.

Costs involved in the creation of the plan

Article 699

The costs involved in the creation of a plan, proposed by the debtor or the trustee in bankruptcy, shall be at the expense of the bankruptcy estate, and for the other cases, shall be at the expense of the proponent.

Contents of the plan

Article 700

(1) The plan shall contain:

1. (amended, SG No. 84/2000, supplemented, SG No. 101/2010) the extent of satisfaction of the receivables included in the lists approved by the court at the time of submission of the plan, the manner and time for payment to the creditors of each class, as well as guarantees for performance of the contested unadmitted receivables, which are subject to pending court proceedings at the date of proposing the plan;
2. the terms, under which the partners in a general or limited partnership are fully or partially discharged of their liabilities;

3. the extent of satisfaction received by each class of creditors compared to what it would have received upon distribution of the property under the procedure provided for by the law;
4. the guarantees provided to each class of creditors with regard to the implementation of the plan;
5. the managerial, organisational, legal, financial, technical, and other actions for the implementation of the plan;
6. the impact of the plan on the employment of the debtor's workers and employees.
(2) (Amended, SG No. 84/2000, supplemented, SG No. 47/2009, effective 23.06.2009) The plan may provide for the sale of the entire enterprise or a self-contained part thereof, the manner and the terms of the sale, the buyer, a debt-for-equity swap, novation or the performing of other actions or transactions. The plan shall may not provide for the sale of the assets of a provider of water supply and sewerage services, which are necessary to carry out the provider's main operation, until a new provider of water supply and sewerage services is appointed in the relevant self-contained territory.
(3) (New, SG No. 84/2000, amended, SG No. 38/2006) In the cases under Paragraph 2, an arm's length evaluation of the property subject to the respective transaction shall be attached to the administration plan.
(4) (New, SG No. 84/2000) When the administration plan provides for the sale of the entire enterprise or of a self-contained part thereof, a draft agreement signed by the buyer shall be attached to the plan.
(5) (New, SG No. 58/2003) The administration plan may provide for the appointment of a supervisory body to exercise control over the debtor's business for the term of the administration plan or for a shorter term.
(6) (New, SG No. 58/2003) When the administration plan provides for a debt-for-equity swap, a list with the names of the creditors, expressing their agreement to subscribe to shares, a full description of the receivable contributions in kind, their monetary value under Article 72, Paragraph 2, the grounds for the contributor's rights, as well as the number, type and face value of the shares to be acquired, shall be attached to the plan. In these cases, Article 72, Paragraph 5 shall not apply. When the company's property is not sufficient to cover its payables, the debt-for-equity swap shall be based on the face value of the shares. When the company's property is sufficient to cover its payables, the debt-for-equity swap shall be based on the book value of the shares. When the administration plan provides for a debt-for-equity swap, the decision endorsing the administration plan shall have the force of a decision of the Shareholders' or Members' General Meeting, respectively, on an increase of the capital by contributions in kind.

Supervisory body

Article 700a

(New, SG No. 58/2003)

(1) The supervisory body under Article 700, Paragraph 5 may be either personal or joint.
(2) The joint supervisory body shall consist of 3 to 7 people, including a chairman and a deputy chairman.
(3) The chairman shall convene the meetings of the supervisory body, proactively or upon requisition of the members of the supervisory body or of the debtor.
(4) The procedure to convene the joint supervisory body, the quorum and the manner for adoption of decisions shall be regulated in the administration plan.
(5) The debtor shall present to the supervisory body a report on its business and on the actions undertaken to implement the administration plan at least once every three months.
(6) The debtor shall notify the supervisory body immediately of the occurrence of any circumstances, which are of material significance for the implementation of the administration plan.

(7) The supervisory body may, at any time, require the debtor to present information or a report on any matter concerning the business of the debtor and the implementation of the administration plan.
(8) The bodies of the debtor may, only upon the prior consent of the supervisory body's, adopt decisions on:
1. transformation of the debtor;
2. closure or transfer of enterprises or significant parts thereof;
3. property transactions beyond the customary actions or transactions related to the business of the debtor;
4. any material change in the business of the debtor;
5. any material organisational changes;
6. long-term cooperation of material relevance to the implementation of the administration plan or the termination of such a cooperation;
7. opening or closing a branch.
(9) The circumstances under Paragraph 8 shall be recorded in the Commercial Register.
(10) Any objections that such actions have been performed in violation of Paragraph 9 shall not have effect vis-a-vis third parties.

Admission of the plan

Article 701

(1) (Amended, SG No. 84/2000) The court, by a closed-session decision, within 7 days after expiration of the time limit under Article 698, shall admit the plan to be heard by the creditors' meeting, if the plan meets the requirements under Article 700, Paragraph 1. The court shall set the date of the meeting, not later than 45 days after the date of the decision.
(2) (Supplemented, SG No. 84/2000) If the proposed plan does not meet the requirements under Article 700, Paragraph 1, the court shall notify the proponent to remove the discrepancies within 7 days. This provision shall not apply upon revocation of the decision of the bankruptcy court endorsing the administration plan and sending the case back to the lower court for further proceedings.
(3) (Amended, SG No. 66/2023) The district court decision on the plan's inadmissibility or the appellate court decision to affirm said decision, as the case may be, may be appealed within 7 days after its announcement in the Commercial Register, whereby no copy of the private appeal shall be presented for delivery.

Notice on the plan and scheduling a creditors' meeting

Article 702

(1) (Amended, SG No. 84/2000, SG No. 38/2006) The court shall send for announcement in the Commercial Register a notice of the date to hold the creditors' meeting to adopt the plan admitted for hearing.
(2) (Amended and supplemented, SG No. 38/2006) The debtor and the trustee in bankruptcy shall be summoned to the meeting, and the creditors shall be presumed summoned by the announcement of the notice in the Commercial Register.

Adoption of the plan

Article 703

(1) Right to vote on the plan shall have only a creditor, whose receivable has been admitted or whose voting power under Article 673, Paragraph 3 has been recognised.
(2) The creditors shall vote separately in the following classes:
1. creditors with secured receivables and creditors holding a right of retention;

2. creditors under Article 722, Paragraph 1, Item 4;
3. (Amended, SG No. 70/1998) creditors under of Article 722, Paragraph 1, Item 6;
4. creditors with unsecured receivables;
5. creditors under Article 616, Paragraph 2.
(3) A creditor may also vote in absentia, by a letter with a notarised signature.
(4) (Amended, SG No. 84/2000) The plan shall be adopted by each class by simple majority of the amount of the receivables of the class.
(5) (Supplemented, SG No. 38/2006) An objection to the adopted plan may be filed with the bankruptcy court within 7 days after the date of the voting. An objection may also be filed by a creditor with an unadmitted receivable, for which the creditor has presented a request under Article 694.
(6) (New, SG No. 84/2000) A plan shall not be considered adopted, if creditors holding more than one-half of the admitted receivables, regardless of their allocation by classes, have voted against it.
(7) (New, SG No. 58/2003) The creditors' meeting may adopt a decision to appoint a supervisory body under Article 700a even in the cases, wherein this is not provided for in the enterprise administration plan.
(8) (New, SG No. 38/2006) The adoption of the plan shall be announced in the Commercial Register.

Endorsement of the plan by the court

Article 704

(1) The bankruptcy court shall endorse the adopted plan if the requirements of the law have been met.
(2) (Amended, SG No. 84/2000) If multiple plans have been adopted, the plan, in favour of which creditors holding more than one-half of the total amount of the admitted receivables have voted, shall be endorsed. If this plan can not be endorsed, the plan adopted by the creditor classes, whose interests have been injured to the greatest extent, shall be endorsed.
(3) (Supplemented, SG No. 84/2000) The plan shall be endorsed in a closed session. When objections to the plan adopted by the creditors' meeting have been raised, the court shall hear the objections in a closed session, summoning the debtor, the trustee in bankruptcy and the objecting party. Whenever possible, all objections shall be heard in a single session and the court shall rule on the objections within 14 days after the session.

Conditions for endorsement of the plan

Article 705

(1) (Previous text of Article 705, SG No. 70/1998) The court shall endorse the plan, if:
1. the requirements of the law for the adoption of the plan by the different creditor classes have been met;
2. (amended, SG No. 84/2000, SG No. 38/2006) the plan has been adopted by majority of creditors holding more than one-half of the admitted receivables included in the lists under Article 692, Paragraph 1 and Article 692, Paragraph 4, as approved by the court; if the plan provides for partial payment, at least one of the creditor classes, which have adopted it, must receive partial payment;
3. all creditors of the class are treated on equal terms, unless the injured creditors give their consent thereto in writing;
4. the plan ensures that an opposing creditor and an opposing debtor will receive the same payment, which they would have received upon distribution of the property under the procedure provided for by the law;
5. no creditor receives more than is due under this creditor's admitted receivable;

6. no income is provided for to be received by a partner or shareholder until the full repayment of the payables to the class of creditors, whose interests are affected by the plan;
7. no allowance for a sole trader, general partner and their families, greater than the allowance specified by the court, is provided for until the full repayment of the payables to the class of creditors, whose interests are affected by the plan.
(2) (New, SG No. 70/1998) The court shall render a decision on the endorsement or the refusal to endorse the enterprise administration plan.
Effect of the endorsed plan

Article 706
(1) The plan endorsed by the court shall be binding for the debtor and the creditors, whose receivables have arisen before the date of the decision on initiation of the bankruptcy proceedings.
(2) (New, SG No. 70/1998) Guarantors and persons, who have established a pledge or a mortgage to secure a debtor's payable, as well as any persons jointly liable with the debtor, except those under Article 610, may not benefit from any relief provided for by the plan.
(3) (Renumbered from Paragraph 2, SG No. 70/1998) The receivables of the creditors under Paragraph 1 shall be transformed as provided for in the plan.
(4) (Renumbered from Paragraph 3, SG No. 70/1998) The debtor shall immediately implement the structural changes provided for by the plan.
(5) (New, SG No. 70/1998) Upon sale of the whole enterprise or a part thereof, any disposal by the buyer before the full payment of the price shall have no effect vis-a-vis the bankruptcy creditors.
Time limit for conclusion of a contract

Article 706a
(New, SG No. 84/2000)
(1) (Amended, SG No. 66/2023) The contract for sale of the whole enterprise or a self-contained part thereof, according to the endorsed administration plan, shall be concluded within two months of the coming into force of the decision endorsing the plan.
(2) If no contract for sale is concluded within the time limit under Paragraph 1 in accordance with the draft attached to the endorsed administration plan, each party, within one month after the expiration of the time limit under Paragraph 1, may request the bankruptcy court to declare the contract concluded according to the draft under Article 700, Paragraph 4, adopted at the creditors' meeting.
(3) If, within the time limit under Paragraph 2, none of the parties requests the contract to be declared concluded and upon request by a creditor, the bankruptcy court shall resume the proceedings and declare the debtor bankrupt.
Termination of the bankruptcy proceedings

Article 707
(1) (Supplemented, SG No. 58/2003) By its decision to endorse the plan, the court shall terminate the bankruptcy proceedings and shall appoint the supervisory body proposed in the plan or elected by the creditors' meeting.
(2) (Repealed, SG No. 84/2000).
(3) (New, SG No. 58/2003) Upon request by a creditor, by the supervisory body or by the debtor, by the decision endorsing the plan or at a later stage for the purpose of preservation of the property and of ensuring the implementation of the plan, the court may:
1. specify the property, which the debtor may dispose of only with the prior permission of the supervisory body, and if the latter does not exist, with that of the court;

2. replace one or more members of the supervisory body by other persons.
(4) (New, SG No. 101/2010) Unless otherwise provided for in the administration plan endorsed by the court under Article 705, by its decision under Paragraph 1 the court shall sentence the debtor to pay the receivables to the creditors under Article 688, Paragraph 3, included in the additional list.
Appeal

Article 707a
(1) (New, SG No. 70/1998, previous text of Article 707a, amended, SG No. 84/2000, SG No. 38/2006) The decision under Article 707 and the decision refusing to endorse an enterprise administration plan adopted by the creditors' meeting may be appealed within 7 days after its recording in the Commercial Register.
(2) (New, SG No. 84/2000) Upon revocation of the court decision, no administration proceedings shall be conducted.
Period of prescription for an endorsed administration plan

Article 707b
(New, SG No. 38/2006)
(1) For the receivables under Article 706, Paragraph 1, a new period of prescription under Article 110 of the Obligations and Contracts Act shall commence on the date of coming into force of the decision endorsing the administration plan, when such receivables are subject to immediate satisfaction, and if the plan provides for deferral or rescheduling thereof, on the date when such receivables become due.
(2) Upon request to resume the bankruptcy proceedings, no period of prescription shall run for the admitted receivables for the duration of the resumed proceedings.
Collection of the transformed receivable

Article 708
(Amended, SG No. 59/2007, SG No. 101/2010)
Pursuant to the plan endorsed by the court, the creditor may request a writ of execution to be issued under the procedure of Article 405 of the Code of Civil Procedure to collect the transformed receivable regardless of the amount thereof.
Resuming the bankruptcy proceedings

Article 709
(1) (Supplemented, SG No. 70/1998, amended, SG No. 84/2000, SG No. 58/2003) If the debtor fails to perform their obligations under the plan or under Article 700a, Paragraph 5, 6, 7 and 8, the creditors, whose receivables have been transformed under the plan and account for at least 15 percent of the total amount of the receivables, or the supervisory body under Article 700a, may request the bankruptcy proceedings to be resumed without evidence on new insolvency or over-indebtedness, respectively.
(2) In the cases under Paragraph 1, the transforming effect of the plan with regard to the creditors' rights and securities shall be reserved.
(3) (New, SG No. 70/1998) Within the resumed bankruptcy proceedings, no administration proceedings shall be carried out.
(4) (New, SG No. 84/2000, supplemented, SG No. 38/2006) The request under Paragraph 1 shall be heard by the bankruptcy court within 14 days after its submission, in an open session, summoning the requesting creditor and the debtor.

Chapter Forty-Five
(Renumbered from Chapter Forty-One, SG No. 83/1996)
DECLARATION OF BANKRUPTCY

Decision on declaration of bankruptcy

Article 710

The court shall declares the debtor to be bankrupt, if, within the time limit provided for by the law, no plan under Article 696 has been proposed or the proposed plan has not been adopted or endorsed, as well as in the cases under Article 630, Paragraph 2, Article 632, Paragraph 1, and Article 709, Paragraph 1.

Contents of the decision on declaration of bankruptcy

Article 711

(1) By the decision on declaration of bankruptcy, the court:

1. (supplemented, SG No. 70/1998) declares the debtor to be bankrupt and rules the business of the enterprise to be terminated;
2. rules a general interdiction and attachment on the debtor's property;
3. terminates the powers of the debtor's bodies, when the debtor is a juridical person;
4. deprives the debtor of the right to manage and dispose of the property included in the bankruptcy estate;
5. rules the liquidation of the property included in the bankruptcy estate to commence and the liquidated property to be distributed.

(2) (Repealed, SG No. 70/1998).

Effect of the decision

(Heading amended, SG No. 38/2006)

Article 712

(1) The decision on declaration of bankruptcy shall be effective towards all persons.

(2) (Amended, SG No. 38/2006) The decision on declaration of bankruptcy shall be recorded in the Commercial Register.

Appealing the decision on declaration of bankruptcy

Article 713

(1) (Previous text of Article 713, SG No. 70/1998, amended, SG No. 38/2006) The decision on declaration of bankruptcy may be appealed within 7 days after the recording in the Commercial Register.

(2) (New, SG No. 70/1998, amended, SG No. 38/2006) The decision revoking, in part or in full, or invalidating the decision of the district court on declaration of bankruptcy shall be recorded in the Commercial Register.

Immediate effect

Article 714

The decision on declaration of bankruptcy shall be effective immediately.

General attachment and interdiction and their recording

Article 715

(1) (Amended, SG No. 38/2006) As of the time of recording in the Commercial Register of the decision on declaration of bankruptcy, the debtor's real estate shall be considered interdicted and the debtor's movable property and receivables vis-a-vis bona fide third parties shall be considered attached.
(2) (Amended, SG No. 38/2006) The general interdiction of the debtor's real estate and ships shall be recorded in the notarial registers or the ships' registers, respectively, based on the decision declaring the debtor bankrupt recorded in the Commercial Register.

Chapter Forty-Six
(Renumbered from Chapter Forty-Two, SG No. 83/1996)
LIQUIDATION OF THE PROPERTY

Section I
Sealed-Bid Auction
(Heading new, SG No. 66/2023)

Scope

Article 716
(1) (Previous text of Article 716, SG No. 58/2003) The real estate and movable property, in full or in self-contained parts thereof, the property rights from the bankruptcy estate shall be converted into cash, as needed to pay the debtor's payables.
(2) (New, SG No. 58/2003) The property rights from the bankruptcy estate shall be sold by the trustee in bankruptcy upon permission by the court.

Liquidation plan

Article 716a
(New, SG No. 66/2023) (1) The trustee in bankruptcy shall present under the case a plan for the liquidation of the bankruptcy estate within one month after the date the meeting under Article 677, Paragraph 1, Item 8 was held or, if the debtor was not declared bankrupt at the time of the meeting, within one month after the ruling on the declaration of bankruptcy.
(2) The liquidation plan must contain:
1. description of all property items and rights in the bankruptcy estate;
2. details on any securities or rights of retention over the property items and rights under Item 1;
3. any additional information on the property items and rights under Item 1, such as existing legal disputes thereon, imposed restrictions on property rights, existing joint ownership, effective possession of property items by third parties with or without legal grounds thereto, any need to obtain documentation with regard to the sale, and any other circumstances relevant to the liquidation of said items and rights;
4. the sequential quarters wherein the property items and rights under Item 1 are projected to be liquidated, with a brief justification.
(3) The liquidation plan must be consistent with the decision of the creditors' meeting under Article 677, Paragraph 1, Item 8. The trustee in bankruptcy shall present to the court the initial plan for the

liquidation of the estate. The court shall approve the plan with a decision which shall be final and shall be announced in the Commercial Register.
(4) The trustee in bankruptcy may amend the liquidation plan upon becoming aware, or upon occurrence, of any circumstances relevant to the liquidation.
(5) The creation of a liquidation plan shall not constitute a prerequisite for the liquidation of the property.
Sale of property and property rights

Article 717
(Supplemented, SG No. 70/1998, amended and supplemented, SG No. 84/2000, amended, SG No. 58/2003) (1) The property and the property rights from the bankruptcy estate shall be sold by the trustee in bankruptcy under the procedure provided for in this Chapter and according to the decision of the creditors' meeting under Article 667, Paragraph 1, Item 8, except in the cases under Article 677, Paragraph 4.
(2) (Amended, SG No. 66/2023) Upon proposal by the trustee in bankruptcy, and according to the decision of the creditors' meeting, the bankruptcy court shall allow the sale of the property and the property rights in full, of self-contained parts thereof or of individual property rights. No sale of property items and rights, in full or in self-contained parts thereof, may place the creditors in a less-favourable position compared to that upon the sale of separate property rights. The court shall rule on the proposal of the trustee in bankruptcy on the date of its receipt by the court or on the following business day at the latest.
(3) (New, SG No. 66/2023) The court shall dismiss any request for a sale of a self-contained part not meeting the conditions under § 1a of the supplementary provisions, including when a decision thereon was adopted by the creditors' meeting and was not revoked under the procedure in Article 679.
Fixing Starting Bid and Announcing Auction
(Title amended, SG No. 66/2023)

Article 717a
(New, SG No. 58/2003)
(1) (Amended, SG No. 38/2006, SG No. 66/2023) The trustee in bankruptcy shall create an announcement of the sale containing details on the debtor, a description of the property, the terms and procedure of the sale, the location and day of the sale, the deadline for acceptance of the bids within the day, and the starting price. The starting price shall be equal to the valuation of the property being sold, as determined by a valuer appointed by the creditors' meeting or by the trustee in bankruptcy in the cases under Article 677, Paragraph 4. At the first public sale, the starting price may not be lower than the valuation for tax purposes or the insurance value, if any.
(2) (Amended, SG No. 38/2006, SG No. 41/2024, effective 10.05.2024) The trustee in bankruptcy shall post the announcement under Paragraph 1 prominently displayed in the building of the municipality, wherein the registered office of the debtor is located, and in the building at the debtor's management address, not later than 14 days prior to the day specified in the announcement, and shall create a record thereon. The trustee in bankruptcy shall submit the announcement on the sale for publication in a special bulletin issued by the Ministry of Economy and Industry 14 days prior to the day of the sale specified in the announcement.
Place of the sale

Article 717b
(New, SG No. 58/2003)

The sale shall take place at the office of the trustee in bankruptcy or at the debtor's management address on the day specified in the announcement.

Procedure of the sale

Article 717c

(New, SG No. 58/2003)

(1) The documents for the sale shall be kept at the office of the trustee in bankruptcy or at the debtor's management address and shall be available to any interested party.

(2) To participate in the bidding, a payment of earnest money in the amount of 10 percent of the evaluation shall be deposited.

(3) Each bidder shall indicate their proposed price in figures and in words and shall submit their bid together with the receipt for the earnest money deposited in a sealed envelope. The bids shall be submitted on the day of the sale before the end of the time limit under Article 717a, Paragraph 1 to the trustee in bankruptcy, who shall record them in the order of their submission in an incoming register.

(4) Immediately after the expiration of the time limit under Paragraph 3, the trustee in bankruptcy shall announce the submitted proposed bids in the presence of the attending bidders and a record shall be created thereon. The record shall indicate the bidders and the bids in the order of opening the envelopes. The highest bidder shall be considered buyer of the property right. If the highest price has been proposed by more than one bidder, the buyer shall be determined by the trustee in bankruptcy through an immediate auction by open bidding in the presence of the attending bidders. The buyer shall be announced by the trustee in bankruptcy in the record, which shall be signed by them and by the attending bidders.

(5) (Amended, SG No. 38/2006) Any bids by ineligible bidders or bids for prices under the evaluation shall be invalid.

Restriction on participation in the sale

Article 717d

(New, SG No. 58/2003)

(1) (Amended, SG No. 105/2016) The debtor, their representative, the trustee in bankruptcy and the persons, indicated in Article 185 of the Obligations and Contracts Act, may not be bidders or buyers, neither directly, nor through a proxy or a related party thereto.

(2) When the property right is bought by an ineligible bidder, the sale shall be invalid.

(3) In the case under Paragraph 2, the buyer's deposit shall be retained to satisfy the receivables of the creditors.

Payment of the price

Article 717e

(New, SG No. 58/2003, amended, SG No. 105/2016)

(1) (Amended, SG No. 66/2023) Within 14 days after the conclusion of the sale, the buyer shall pay the price in said buyer's bid, deducting the amount of the earnest money deposited.

(2) (Amended, SG No. 66/2023) When the declared buyer is a creditor with an admitted receivable under Article 693 or a creditor, holding rights under Article 717m, who has submitted a document under Article 717m, Paragraph 3, the trustee in bankruptcy shall create a distribution account indicating therein what part of the payable price the buyer shall deposit to settle other creditors' receivables and what part shall be deducted against said creditor's receivable. The buyer shall, within 14 days after the effective date of the distribution account, deposit the amounts to repay other creditors' receivables, in accordance with the effective distribution account, or the amount in

excess of the buyer's receivable, when there are no other creditors. The earnest money deposited shall be deducted from the respective amount under the second sentence and any excess thereof shall be returned to said creditor.
(3) (New, SG No. 66/2023) When the security or preference of the creditor's receivable is contested in a dispute under Paragraph 2, including by any claims made under Article 646, Paragraph 2, Item 2, and Article 647, Paragraph 1, Items 4 and 5, said receivable shall be considered unsecured in the creation of the distribution account and the amount deposited by the buyer under Paragraph 2, first sentence, shall be set aside until the dispute on the security or preference is settled.
Subsequent buyers

Article 717f
(New, SG No. 58/2003)
If, within the time limit specified in Article 717e, the price is not paid:
1. the earnest money deposited by the bidder shall serve to satisfy the creditors;
2. (amended, SG No. 38/2006, SG No. 66/2023) the trustee in bankruptcy shall invite the bidder, who has offered the next highest price, if they have not withdrawn the earnest money; if that bidder agrees, they shall be declared as buyer; if they do not agree or if fail to pay the price within 5 days after being declared as buyer, the earnest money deposited by them shall be retained to satisfy the creditors and the trustee in bankruptcy shall offer the property to the next highest bidder and shall proceed in this manner, as needed, until there are no more bidders left, who have proposed a price not lower than the evaluation; the bidder, who has agreed to buy the property and who has failed to pay the proposed price in due time, shall be liable according to Item 1.
Holding new auction

Article 717g
(New, SG No. 58/2003, amended, SG No. 38/2006)
(1) (Amended and supplemented, SG No. 66/2023) In the cases where there were no bidders, or no valid bids were submitted, or the buyer has failed to pay the price, a new sale with a sealed-bid auction shall be conducted with a starting price of 80 percent of the valuation and with a new announcement under the procedure in Article 717a, Paragraph 2 not earlier than one month and not later than two months after the conclusion of the first sale.
(2) (Amended, SG No. 66/2023) In the cases where the property under Paragraph 1 remains unsold, any subsequent sale shall be conducted not earlier than one month and not later than two months after the conclusion of the previous sale, upon new announcement under the procedure in Article 717a, Paragraph 2, with a starting price 10 percent lower than the starting price of the previous sale but not lower than 50 percent of the valuation.
(3) (New, SG No. 66/2023) In the cases where the property was not sold at an auction with a starting price of 50 percent of the valuation or where more than two years have passed since the determination of the valuation, a new valuation shall be made and Article 717a, Paragraph 1, third sentence shall not apply. A new valuation may also be made upon any significant change of the economic conditions or of the legal status relevant to the valuation, upon permission by the court.
Award

Article 717h
(New, SG No. 58/2003)
(1) (Amended, SG No. 38/2006) When the person, declared as buyer, promptly pays the amount due, the court shall award the property or the right thereto by ruling on the day after the day of the payment.

(2) As of the date of issue of the award ruling, the buyer shall acquire all the debtor's rights over the property right. The rights acquired by third parties over the property right shall not have effect vis-a-vis the buyer, if these rights have no effect vis-a-vis the debtor.
(3) (Amended, SG No. 38/2006) The award ruling issued by the court may be appealed before the appellate court by the bidders in the auction and by the debtor.
(4) If the award is not appealed, the validity of the sale may be contested under a claim procedure only in case of a violation of Article 717d and upon failure to pay the price. In the latter case, the buyer may prejudice the granting of the claim upon paying the amount due with interest accrued from the day they were declared as buyer.
Revocation of the award

Article 717i
(New, SG No. 58/2003)
If the ruling on the award is revoked or the sale is declared invalid according to Article 717d, the new sale shall take place after a new announcement.
Acquisition and contest of the ownership

Article 717j
(New, SG No. 58/2003)
(1) The buyer of movable property shall become owner thereof, regardless of whether those have belonged to the debtor.
(2) The previous owner may collect the price, if it was not paid, and if it was paid, they may request from the creditors and the debtor their collections under the distribution.
Transfer of title and risk

Article 717k
(New, SG No. 58/2003)
(1) The title to the property right shall be transferred to the buyer by the trustee in bankruptcy based on the effective ruling on the award and on a certificate for the paid title transfer fees and the recording of the ruling.
(2) The risk of loss of the property right shall be borne by the buyer and the expenses for its safekeeping until the transfer of title to the buyer shall be recovered from the bankruptcy estate.
(3) The transfer of title shall have effect vis-a-vis any party in possession of the property right. Such party may defend their possession only by claim of title.
(4) (New, SG No. 38/2006) The sale concluded under the procedure of this Chapter shall have the same consequences as an enforcement sale under the procedure of the Code of Civil Procedure.
Sale upon joint ownership

Article 717l
(New, SG No. 58/2003) (1) When the sale concerns the property right, which is jointly owned, to satisfy debts of some of the co-owners, the property right shall be distrained as a whole, but only the undivided interest of the debtor shall be sold.
(2) The real estate may be sold even in full, if the remaining co-owners consent thereto in writing.
Sale of a mortgaged or pledged property

Article 717m
(New, SG No. 58/2003, amended, SG No. 101/2010, SG No. 105/2016)

(1) For any sale of property, mortgaged or pledged by the debtor as a security for other person's debt, or acquired by the debtor, encumbered by a mortgage or a pledge, the trustee in bankruptcy shall send the secured creditor a notice on the scheduled sale.
(2) For any proceeds from the sale of property, mortgaged or pledged for other person's debt, a separate distribution account shall be created, additionally indicating the amounts payable to the secured creditor. The secured creditor shall have the rights under Article 728 and 729 with regard to the distribution account.
(3) The amount allocated to the secured creditor shall be reserved by the trustee in bankruptcy and paid to the creditor upon the creditor's submission of a writ of execution for their receivable or an evidence before the trustee in bankruptcy that their receivable has been admitted within the bankruptcy proceedings of the person, whose debt has been secured by the sold property.
(4) The amount allocated to a creditor, secured by a special pledge, shall be reserved by the trustee in bankruptcy and paid to the creditor based on a submitted certificate from the register for a registered pledge and a statement with a notarised signature on the current amount of the secured receivable.
Sale in special cases

Article 718
(1) (Supplemented, SG No. 70/1998, amended, SG No. 38/2006, SG No. 105/2016, repealed, SG No. 66/2023).
(2) Shares in other companies owned by the debtor shall be sold after being offered for purchase to the remaining partners and the offer is not accepted within one month.
(3) (New, SG No. 70/1998, repealed, SG No. 66/2023).
(4) (Renumbered from Paragraph 3, amended, SG No. 70/1998, SG No. 105/2016, repealed, SG No. 66/2023).
(5) (New, SG No. 84/2000, repealed, SG No. 66/2023).
Sale by the trustee in bankruptcy of residences with workers and employees as tenants

Article 718a
(New, SG No. 38/2006)
(1) When, at the date of the decision of the creditors' meeting under Article 677, Paragraph 1, Item 8, residences owned by the debtor are leased to persons who, at the date of the decision, are the debtor's workers and employees, or to persons with receivables under Article 687, Paragraph 1, the trustee in bankruptcy shall offer these residences for sale to their tenants. In such cases, the provisions of Article 33 of the Ownership Act shall apply.
(2) The trustee in bankruptcy shall send a written notice to each person under Paragraph 1, indicating the specific residence, its evaluation as prepared by the evaluator elected by the creditors' meeting or appointed under the procedure of Article 677, Paragraph 4, a time limit for payment, which may not be shorter than 30 or longer than 60 days; as well as the bank account to which the price shall be paid.
(3) The persons under Paragraph 1 may, within 14 days after receipt of the notice, state in writing to the trustee in bankruptcy their willingness to purchase the residence at a price equal to the evaluation, within the time limit set by the trustee in bankruptcy. The workers and employees may deduct the debtor's outstanding payable wages and salaries thereto from the price paid.
(4) The contract for sale shall be concluded in notarised form, with the trustee in bankruptcy as seller under the contract. The expenses incurred under the sale shall be borne by the seller.
(5) The provisions of Paragraphs 1 - 4 shall not apply in case of a legal dispute concerning the residence under the lease agreement.

Sale of a pledged property

Article 719
(Supplemented, SG No. 70/1998)
A pledged property held by a creditor or by a third party shall be collected by the trustee in bankruptcy and shall be sold under the procedure of this Chapter, unless a law provides for its sale by the creditor without court intervention.

Section II
(New, SG No. 66/2023)
Electronic public auction. Scope and special rules

Article 719a
(New, SG No. 66/2023) (1) The sale of all property items and rights within the bankruptcy estate, in full, in self-contained parts, or of separate property rights may be conducted under the rules for the electronic public auction under the procedure in Chapter Forty-Three, Section II of the Code of Civil Procedure, whereupon the following special procedural rules shall also apply:
1. the starting price shall be set under the procedure of Article 717a, Paragraph 1 and Article 717g;
2. the sale shall be announced on the Ministry of Justice's online platform for electronic public auctions;
3. to participate in the auction, each bidder shall deposit earnest money in the amount under Article 717c, Paragraph 2;
4. the bidders shall be registered in an electronic environment with an electronic signature or at the office the trustee in bankruptcy, i.e., the address of the trustee in bankruptcy, as recorded in the Commercial Register under Article 623, Paragraph 1;
5. the trustee in bankruptcy shall decline the authorisation of any bidder registered for the sale, if the earnest money was not deposited, as well as in the cases of Article 683 and Article 717d, Paragraph 1;
6. the full price shall be paid by the declared buyer within the time limit under Article 717e, Paragraph 1, while Article 717e, Paragraph 2 shall apply when the declared buyer is a creditor with an admitted receivable;
7. Article 717f shall apply when the price was not paid;
8. the sale shall be conducted by the trustee in bankruptcy and the award ruling shall be issued and may be appealed under the procedure in Article 717h;
9. upon revocation of a ruling on the award of a real estate, when the purchase was financed by a credit institution, Article 501g, Paragraph 3 of the Code of Civil Procedure shall be applied accordingly;
10. any subsequent electronic auction shall be conducted under the terms in Article 717g.
(2) The court shall permit a sale to be conducted at an electronic public auction based on a well-grounded request of the trustee in bankruptcy or based on a decision of the creditors' meeting.
(3) Any decision of a creditors' meeting restricting the application of electronic public auctions shall be null and void.

Chapter Forty-Seven
(Renumbered from Chapter Forty-Three, SG No. 83/1996)
DISTRIBUTION OF THE LIQUIDATED PROPERTY AND

COMPLETION OF
THE BANKRUPTCY PROCEEDINGS

Section I
Distribution of the liquidated property

Condition for distribution

Article 720

The distribution shall be carried out when sufficient cash is accumulated in the bankruptcy estate.

Distribution account

Article 721

(1) (Amended, SG No. 84/2000) The trustee in bankruptcy shall prepare an account for the distribution of the available amounts among the creditors with receivables under Article 722, Paragraph 1, in accordance with the order, the privileges and the securities.

(2) The distribution account shall be partial until the payables are fully repaid or the entire bankruptcy estate, with the exception of the unsellable property, is liquidated.

(3) (New, SG No. 84/2000) The inclusion into the distribution account of a receivable under Article 722, Paragraph 1, Item 7 may not be refused, if the payable has been admitted with the consent of the trustee in bankruptcy or has been recognised by them.

Order of the receivables

Article 722

(1) Upon distribution of the liquidated property, the receivables shall be repaid in the following order:

1. (amended, SG No. 70/1998, SG No. 105/2005)) receivables secured by a pledge or mortgage, interdiction or attachment, recorded under the procedure of the Registered Pledges Act - from the proceeds from the liquidation of the security;
2. receivables, on account of which a right of retention is exercised - from the value of the retained real estate;
3. bankruptcy-related expenses;
4. (amended, SG No. 58/2003) receivables arising out of employment relationships, which have arisen before the date of the decision on initiation of the bankruptcy proceedings;
5. allowance payable by the debtor to third parties under law;
6. (amended, SG No. 70/1998, SG No. 84/2000) public-law receivables of the State and the municipalities such as taxes, customs duties, fees, mandatory social-security contributions and others, which have arisen prior to the date of the decision on initiation of bankruptcy proceedings;
7. (repealed, renumbered from Item 8, SG No. 70/1998, amended, SG No. 101/2010) outstanding receivables, which have arisen after the date of the decision on initiation of the bankruptcy proceedings;
8. (renumbered from Paragraph 9, amended, SG No. 70/1998) any remaining unsecured receivables, which have arisen prior to the date of the decision on initiation of the bankruptcy proceedings;

9. (new, SG No. 70/1998) the receivables under Item 1 of Article 616, Paragraph 2;
10. (new, SG No. 70/1998) the receivables under Item 2 of Article 616, Paragraph 2;
11. (new, SG No. 70/1998) the receivables under Item 3 of Article 616, Paragraph 2;
12. (new, SG No. 38/2006) the receivables under Item 4 of Article 616, Paragraph 2.
(2) (Amended, SG No. 70/1998, SG No. 38/2006) When the cash is insufficient to fully satisfy the receivables under Paragraph 1, Items 3 - 12, it shall be distributed commensurately among the creditors in the order.
(3) (New, SG No. 38/2006, amended, SG No. 12/2009, effective 1.01.2010 - amended, SG No. 32/2009) When multiple State receivables of the same order have been presented and admitted, the amount shall be repaid to the respective order of the distribution account in total and upon receipt shall be distributed by the National Revenue Agency under the procedure of the Tax and Social Insurance Procedure Code. The National Revenue Agency shall notify immediately the bankruptcy court and the trustee in bankruptcy of the distribution.

Special rules with regard to the order of receivables

Article 722a
(New, SG No. 33/2019, effective 19.04.2019)
Where the debtor is an investment firm within the meaning of the Markets in Financial Instruments Act, a financial institution, a mixed-activity financial holding company or a mixed-activity holding company within the meaning of the Credit Institutions Act, upon distribution of the liquidated property all receivables whose order comes after that specified in Article 722, Paragraph 1, Item 7 shall be satisfied in the order set out in Article 94, Paragraph 1, Items 8 – 15 of the Bank Bankruptcy Act.
Bankruptcy-related expenses

Article 723
Bankruptcy-related expenses shall be:
1. (amended, SG No. 38/2006) the stamp duty for the bankruptcy proceedings and the remaining expenses incurred prior to the coming into force of the decision on initiation of bankruptcy proceedings;
2. (supplemented, SG No. 66/2023) the remuneration of the trustee in bankruptcy and the payable social security contributions;
3. the payables to the workers and employees, when the debtor’s enterprise has not discontinued its business;
4. the expenses to supply, manage, evaluate and distribute the bankruptcy estate;
5. the specified allowance for the debtor and their family.
Satisfaction of a secured creditor and a creditor with a right of retention

Article 724
(1) When the sale price of a pledged or mortgaged property does not cover the entire receivable with the interest accrued, the creditor shall participate for the balance in the distribution together with the creditors with unsecured receivables.
(2) When the sale price of a pledged or mortgaged property exceeds the secured receivable with the interest accrued, the balance shall be included in the bankruptcy estate.
(3) (Amended, SG No. 70/1998) The amount payable under Paragraph 2 from the liquidation of the security shall be transferred immediately to the creditor.
(4) Paragraphs 1, 2 and 3 shall also apply upon satisfaction of a receivable of a creditor with a right of retention.

Inclusion of receivables under a suspensive or peremptory condition

Article 725

(1) A receivable under a suspensive condition shall be included in the initial distribution as a contested receivable. The respective amount from the distribution shall be reserved for it. In the final distribution, this receivable shall be excluded, if the condition has hitherto failed to materialise.

(2) A receivable under a peremptory condition shall be included in the distribution as unconditional.

Reserving amounts for contested receivables

Article 726

(1) For a receivable contested under a judicial procedure, the respective amount shall be reserved in the distribution account.

(2) When only the security or the privilege has been contested, the receivable shall be included as unsecured until the dispute is resolved and the amount, which the creditor would have received for a secured receivable, shall be reserved in the distribution account.

Public display of the distribution account

Article 727

(Supplemented, SG No. 38/2006, amended, SG No. 66/2023)

The trustee in bankruptcy shall announce the distribution account in the Commercial Register and shall present said account to the court.

Objections to the account

Article 728

(Amended, SG No. 66/2023) The debtor and any creditor may raise a written objection to the distribution account before the court within 14 days after the announcement of said account in the Commercial Register.

Approval of the distribution account

Article 729

(1) The bankruptcy court shall approve by decision the distribution account, upon making the respective amendments to correct any illegalities identified administratively or upon objection.

(2) (New, SG No. 104/2007) The decision approving the distribution account and any appeals filed against the decision shall be announced in the Commercial Register, whereby the creditors and the debtor shall be presumed notified.

(3) (Amended, SG No. 38/2006, renumbered from Paragraph 2, SG No. 104/2007, supplemented, SG No. 101/2010, amended, SG No. 105/2016, SG No. 66/2023) The decision under Paragraph 1 may be appealed by the debtor or any creditor who has raised an objection under Article 728. The decision may also be appealed by any creditor, who has not filed an objection, when the distribution account is amended or revoked by the court decision under Paragraph 1.

(4) (Renumbered from Paragraph 3, SG No. 104/2007) The approved distribution account shall be implemented by the trustee in bankruptcy.

Additional inclusion of a creditor in the distribution

Article 730

A creditor, who has presented their receivable after a distribution has been made, shall be included in the subsequent distributions without a right of adjustment for previous payments.

Additional inclusion of amounts

Article 731

The bankruptcy estate shall include additionally the newly collected amounts from receivables of the debtor and from liquidation of the property, as well as the amounts from receivables waived by the creditors.

Return of the balance of the bankruptcy estate

Article 732

After the full repayment of the payables, the balance of the bankruptcy estate shall be provided to the debtor.

Section II
Completion of the bankruptcy proceedings

Reports of the trustee in bankruptcy

Article 733

(Amended, SG No. 38/2006)

Within one month after the bankruptcy estate is exhausted, with the exception of the unsellable property, the trustee in bankruptcy shall submit to the bankruptcy court:

1. a report on their activity;
2. a report on the distribution of the amounts collected upon the liquidation and on the outstanding receivables.

Final creditors' meeting

Article 734

(1) The court shall convene a final creditors' meeting within fourteen days after receipt of the report of the trustee in bankruptcy.

(2) (Amended, SG No. 38/2006) The meeting shall hear the report on the distribution of the amounts collected upon the liquidation and on the outstanding receivables. The meeting shall also adopt a decision regarding the unsellable property from in the bankruptcy estate.

(3) (New, SG No. 38/2006) The creditors' meeting may adopt a decision to provide to the debtor property of negligible value or receivables, which would be too hard to collect.

Completion of the bankruptcy proceedings

Article 735

(1) The bankruptcy proceedings shall be terminated by a court decision, when:

1. the payables are repaid;
2. the bankruptcy estate is exhausted.

(2) (New, SG No. 105/2016) The bankruptcy proceedings shall not be terminated, when securities to secure the debtor's payables have been established by third parties and the enforcement against these securities has not been completed or the debtor is party to pending court proceedings.

(3) (Renumbered from Paragraph 2, SG No. 105/2016, supplemented, SG No. 66/2023) By the decision under Paragraph 1, the court shall order expungement of the merchant, unless all creditors have been satisfied and there is remaining property. Before announcing its decision on expungement, the court shall verify if the debtor has presented a confirmation of the delivery of the payrolls, issued by the territorial unit of the National Social Security Institute pursuant to Article 5, Paragraph 10 of the Social Insurance Code.

(4) (Amended, SG No. 38/2006, renumbered from Paragraph 3, SG No. 105/2016) The decision under Paragraph 1 may be appealed within 7 days after its recording in the Commercial Register.
Termination of the trustee in bankruptcy's powers

Article 736
(1) The powers of the trustee in bankruptcy shall be terminated with the termination of the bankruptcy proceedings.
(2) The trustee in bankruptcy shall deliver the business books and the remainder of the property to the debtor or to the debtor's management body.
Depositing the Uncollected Amounts

Article 737
By order of the court, the trustee in bankruptcy shall deposit in a bank the amounts reserved upon the final distribution for the uncollected or contested receivables.
Termination of the effect of the general interdiction

Article 738
(1) The effect of the general interdiction shall be terminated with the termination of the bankruptcy proceedings.
(2) (Amended, SG No. 38/2006) The general interdiction shall be expunged administratively as of the time of recording of the decision on termination of the bankruptcy proceedings.
Lapse

Article 739
(1) The receivables, which have not been presented within the bankruptcy proceedings, and the rights, which have not been exercised, shall lapse.
(2) (Amended, SG No. 105/2016) The receivables not satisfied within the bankruptcy proceedings shall lapse, except in the cases under Article 744, Paragraph 1 and in the cases, when securities to secure the receivables not satisfied within the bankruptcy proceedings have been established by third parties.

Chapter Forty-Eight
(Renumbered from Chapter Forty-Four, SG No. 83/1996)
OUT-OF-COURT SETTLEMENT

Agreement

Article 740
(1) (1) (Amended, SG No. 70/1998) At any point in the bankruptcy proceedings, the debtor may conclude an agreement with all creditors with admitted receivables to settle the payables. In such case, the trustee in bankruptcy shall not represent the debtor as a party.
(2) (Amended, SG No. 38/2006) If the concluded agreement satisfies the requirements of the law, the court, with a decision, shall terminate the bankruptcy proceedings, if no requests under Article 694, Paragraph 1 have been presented to declare an admitted receivable invalid. The decision may be appealed within 7 days after the recording thereof in the Commercial Register.
(3) The agreement shall be concluded in writing.
Applicability of the civil legislation

Article 741
The civil legislation shall apply, unless otherwise provided for in the agreement or in this Act.
Resuming the bankruptcy proceedings

Article 741a
(New, SG No. 70/1998)
If the debtor fails to perform its obligations under the agreement, the creditors, whose receivables account for at least 15 percent of the total amount of the receivables, may request the bankruptcy proceedings to be resumed without evidence on new insolvency or over-indebtedness, respectively. Within the resumed bankruptcy proceedings, no administration proceedings shall be carried out.

Chapter Forty-Nine
(Renumbered from Chapter Forty-Five, SG No. 83/1996)
SPECIFIC RULES APPLICABLE TO THE COMPANIES

Over-indebtedness

Article 742
(1) (Amended, SG No. 66/2023) A company shall be considered over-indebted if its property is not sufficient to cover its payables.
(2) (Supplemented, SG No. 70/1998) Initiation of bankruptcy proceedings on grounds of over-indebtedness may also be requested by a member of the company's management body, as well as by the liquidator.
Separation of the property

Article 743
(1) The property of a general partnership, limited partnership or partnership limited by shares under initiated bankruptcy proceedings shall be held separately from the property of a general partner.
(2) The creditors with receivables against the personal commercial payables of the general partner shall not participate in the distribution of the companies' property.
(3) The creditors of the company may participate in the distribution of the personal property of the general partner only with the receivable, which has not been satisfied within the company's bankruptcy proceedings.

Chapter Fifty
(Renumbered from Chapter Forty-Six, SG No. 83/1996)
RESUMING THE BANKRUPTCY PROCEEDINGS

Conditions to resume

Article 744
(1) The terminated bankruptcy proceedings shall be resumed by decision of the court, when, within a year after the termination:
1. amounts reserved for contested receivables are released;

2. property, which has not been known at the termination of the bankruptcy proceedings, is discovered;
3. (new, SG No. 66/2023) there is property which has not been sold within the time limits under Article 193, Paragraph 4 of the Tax and Social-Insurance Procedure Code, and Article 43, Paragraph 1 of the Registered Pledges Act.
(2) (Amended, SG No. 66/2023) The court may decline to resume the proceedings if all released amounts and the property under Paragraph 1 are insufficient to cover the expenses under the proceedings unless a concerned party pays the outstanding amount in advance.
(3) (New, SG No. 66/2023) The bankruptcy proceedings may also be resumed after the expiration of the time limit under Paragraph 1 if:
1. there is an amount in the distribution account reserved under Article 717m, Paragraph 2 for a secured creditor, upon submission of the documents under Article 717m, Paragraph 3;
2. there are funds under Article 193, Paragraph 3 of the Tax and Social-Insurance Procedure Code, or funds remaining after a distribution to the persons under Article 39, Paragraph 2 of the Registered Pledges Act, whereupon the proceedings shall be resumed administratively by the court if the time limit under Paragraph 1 has expired and Paragraph 2 shall be applied accordingly; the public enforcement agent and the depositary under the Registered Pledges Act shall file under the bankruptcy case a certified copy of the effective distribution, whether the time limit under Paragraph 1 has expired or not.

Request to resume the proceedings

Article 745

(1) (Previous text of Article 745, SG No. 66/2023) The bankruptcy proceedings shall be resumed upon written request by the debtor or a creditor with a receivable admitted or declared valid under a judicial procedure.
(2) (New, SG No. 66/2023) When the proceedings were terminated pursuant to Article 632, Paragraphs 4 and 5, the request to resume may be filed not only by the debtor but also by any creditor thereof, or by any creditor under Article 717m.

Effect of the resumption

Article 746

(1) The decision on resumption of the proceedings shall restore the rights of the trustee in bankruptcy and the creditors' committee.
(2) The resumed proceedings shall continue from the final distribution account, which thereupon shall be considered partial.

Chapter Fifty-One
(Renumbered from Chapter Forty-Seven, SG No. 83/1996)
RESTORATION OF RIGHTS
(Heading amended, SG No. 38/2006)

Effect of the restoration

Article 747

(1) (Previous text of Article 747, SG No. 38/2006) The restoration of the rights of a sole-trader debtor and a general partner shall expunge and revoke thereafter the consequences, which the law associates with the declaration of bankruptcy.

(2) (New, SG No. 38/2006) This Chapter shall be applied accordingly to the natural persons, who have been involved in the management of the company declared bankrupt.

Prerequisites for the restoration

Article 748

(1) Restored shall be the rights of a debtor, who fully repays the receivables admitted within the bankruptcy proceedings, together with the related interest and expenses.
(2) The rights of the debtor shall be restored even without full repayment of all payables, if the bankruptcy is due to adverse changes in the economic environment.
(3) The rights of a general partner shall be restored under the terms of Paragraphs 1 and 2. If they repay the payables of the insolvent company, their payment shall not be considered undue.

Inadmissibility

Article 749

The rights of a debtor sentenced for bankruptcy shall not be restored.

Request for restoration

Article 750

(1) The debtor shall file a written request for restoration of their rights with the bankruptcy court.
(2) Evidence of repayment of the receivables admitted within the bankruptcy proceedings shall be attached to the request.

Restoration of the rights of a deceased debtor

Article 751

A request for restoration of the rights of a deceased debtor shall be filed by at least one heir.

Announcement of the request for restoration

Article 752

(Amended, SG No. 38/2006)
The request for restoration shall be announced in the Commercial Register on the file of the merchant declared bankrupt.

Objection to the request

Article 753

(Amended, SG No. 38/2006)
Within one month after the announcement of the request for restoration in the Commercial Register, any creditor with a receivable admitted or declared valid under a judicial procedure may raise a written objection to the request for restoration.

Review of the application

Article 754

The request for restoration and the objections thereto shall be heard in an open session, summoning the requisitioner and the objecting creditor.

Appeal

Article 755

(1) The decision of the court granting the request may not be appealed.
(2) The decision of the court rejecting the request for restoration of the rights may be appealed by the debtor within 7 days.
(3) (Amended, SG No. 38/2006) The effective decision of the court shall be recorded in the Commercial Register on the file of the merchant declared bankrupt.

New request for restoration

Article 756

A new request for restoration of the rights may be filed not earlier than one year after the coming into force of the decision rejecting the request.

Chapter Fifty-Two
(Renumbered from Chapter Forty-Eight, SG No. 83/1996)
APPLICABLE LAW

Recognition of a foreign court decision on the bankruptcy

Article 757

On a basis of reciprocity, the Republic of Bulgaria shall recognise a foreign court decision declaring bankruptcy, if the decision is rendered by an authority of the State, where the debtor's registered office is located.

Powers of a trustee in bankruptcy appointed by a foreign court

Article 758

A trustee in bankruptcy appointed by a foreign court decision shall have the powers conferred by the State, where the bankruptcy proceedings are initiated, as long as these powers are not contradictory to the rules of public order in the Republic of Bulgaria.

Supplementary bankruptcy proceedings

Article 759

(1) (Amended, SG No. 66/2023) Upon request by the debtor, by the trustee in bankruptcy appointed by the foreign court, or by a creditor, a Bulgarian court may open supplementary bankruptcy proceedings for a merchant declared bankrupt by a foreign court, if the merchant owns property on the territory of the Republic of Bulgaria.

(2) The decision under Paragraph 1 shall have effect only with vis-a-vis the debtor's property within the territory of the Republic of Bulgaria.

Effect of the supplementary proceedings

Article 760

(1) Any revocation claim presented by the trustee in bankruptcy under principal or supplementary bankruptcy proceedings shall be considered presented for both proceedings.

(2) A creditor, who has received partial payment under the principal proceedings, shall participate in the distribution of the property under the supplementary proceedings, if the part they would receive is larger than the respective part to be received by the other creditors under the supplementary proceedings.

(3) A plan under Article 696 may be endorsed within the supplementary bankruptcy proceedings only with the consent of the trustee in bankruptcy under the principal proceedings.

(4) Upon completion of the distribution under the supplementary proceedings, the remaining property shall be transferred to the property under the principal proceedings.

Chapter Fifty Two "a"
(New, SG No. 66/2023)
BANKRUPTCY OF THE ENTREPRENEUR

Section I
(New, SG No. 66/2023)
General provisions

Entrepreneur

Article 760a

(New, SG No. 66/2023) Entrepreneur, within the meaning hereof, shall be any natural person conducting business, practising a skilled craft, or working as a freelancer, whose enterprise, as far as its business and volume are concerned, does not require conducting business as a merchant.

Enterprise of the entrepreneur

Article 760b

(New, SG No. 66/2023) The enterprise of the entrepreneur shall be a totality of rights, obligations and factual relationships associated with the entrepreneur’s business, skilled craft, or freelance work.

Section II
(New, SG No. 66/2023)
Bankruptcy Proceedings

Subsidiary application and special rules

Article 760c

(New, SG No. 66/2023) In the absence of special provisions in this Chapter, the provisions on the bankruptcy proceedings for the sole trader shall apply accordingly to the bankruptcy proceedings for the entrepreneur.

Insolvency

Article 760d

(New, SG No. 66/2023) (1) With the exception of the cases under Article 608, Paragraph 1, insolvent shall be any entrepreneur who is unable to meet any due payable arising from, or relating to, any transaction associated with the entrepreneur’s business, skilled craft, or freelance work.
(2) To the extent any personal obligations of the entrepreneur cannot be clearly distinguished, such obligations shall be considered associated with the entrepreneur’s business, skilled craft, or freelance work.
(3) The presumption of insolvency under Article 608, Paragraph 2 shall not apply to the entrepreneur.

Competent court

Article 760e

(New, SG No. 66/2023) Competent for the bankruptcy proceedings shall be the district court having jurisdiction over the entrepreneur's registered office, as recorded not later than 6 months prior to the filing of the application for the initiation of bankruptcy proceedings or, if the entrepreneur does not have a registered office, over the entrepreneur's permanent address.

Recording and announcing rulings within the bankruptcy proceedings

Article 760f

(New, SG No. 66/2023, amended, SG No. 82/2024) (1) Any and all rulings within the bankruptcy proceedings for the entrepreneur shall be recorded or announced in the bankruptcy register kept and maintained by the Ministry of Justice.

(2) The bankruptcy register shall be public and shall be kept in electronic form.

(3) The Minister for Justice shall issue an ordinance on the conditions and procedure for keeping, storage and access to the bankruptcy register.

(4) The Ministry of Justice shall collect fees in amounts set in a tariff of the Council of Ministers for the provision of the following services by the bankruptcy register:

1. recording and announcing of rulings;
2. issuance of a certificate;
3. conduct of a written check-up;
4. issuing of a certified hard copy of a scanned application or appendixes thereto;
5. provision of database or part thereof.

Chapter Fifty Two "b"
(New, SG No. 66/2023)
EXTINGUISHING OBLIGATIONS

Prerequisites for the extinguishing of obligations

Article 760g

(New, SG No. 66/2023) (1) Any and all outstanding obligations of a sole trader or an entrepreneur shall be extinguished after the initiation of the bankruptcy proceedings:

1. when they have stopped conducting the business, practicing the skilled craft, or freelancing wherewith the obligations are associated;
2. when they have extinguished their obligations related to the expenses in the bankruptcy proceedings;
3. when they have extinguished at least one-third of all their obligations, as long as said obligations do not exceed their non-sequestrable income under Article 446 of the Code of Civil Procedure for a period of three years after the date of the initiation of the bankruptcy proceedings, while following the order of repayment of the receivables under Article 722, Paragraph 1 hereof;
4. after the initiation of the bankruptcy proceedings, they have not taken any action or executed any transaction to the detriment of the interests of the creditors;
5. upon the expiry of the three-year period after the date of:

(a) coming into force of the decision of the court under Article 707, Paragraph 1 endorsing the administration plan and terminating the proceedings;

(b) coming into force of the decision of the court under Article 632, Paragraph 4 declaring the insolvency, establishing that the available property is not sufficient to cover the expenses in the bankruptcy proceedings, and terminating the proceedings;
(c) the court decision under Article 716a, Paragraph 3 endorsing the liquidation plan or, when no such plan exits, the date of creation of the first itemised list of the bankruptcy estate.
(2) The obligations shall be extinguished pursuant hereto as of the date of the last occurring prerequisite under Paragraph 1. The existence of any and all prerequisites under Paragraph 1, Items 2 and 3 shall be established under a judicial procedure.
(3) Regardless of any existing prerequisites under Paragraph 1, there shall be no extinguishing of any obligations of the sole trader or entrepreneur related to the payment of:
1. receivables secured by a pledge or mortgage, or interdiction, or attachment, recorded under the procedure of the Registered Pledges Act;
2. receivables for fines and pecuniary penalties;
3. receivables for impermissible damages;
4. receivables for allowance;
5. receivables arising after the initiation of the bankruptcy proceedings;
6. expenses in the bankruptcy proceedings.

Proceedings for the verification of the prerequisites

Article 760h
(New, SG No. 66/2023) (1) (Amended, SG No. 82/2024) The sole trader’s or the entrepreneur’s request to establish the existence of the prerequisites under Article 760g, Paragraph 1, Items 2 and 3 shall be filed with the competent bankruptcy court and shall be heard under the terms and procedure in Articles 752 - 755. The decisions of the court within the proceedings for the sole trader and the entrepreneur shall be announced in the Commercial Register or in the bankruptcy register of Ministry of Justice, as the case may be.
(2) Any subsequent request to verify the prerequisites for the extinguishing of obligations filed within three years thereafter shall be inadmissible.

Consequences of the extinguishing of obligations

Article 760i
(New, SG No. 66/2023) Any and all restrictions or prohibitions to conduct business, practice a skilled craft, or freelance, provided for by the law, shall become ineffective as of the date of the extinguishing of obligations.

PART FIVE
(New, SG No. 105/2016, effective 1.07.2017)
MERCHANT RESTRUCTURING PROCEEDINGS

Chapter Fifty-Three
(New, SG No. 105/2016, effective 1.07.2017)
GENERAL

Objective of the proceedings

Article 761

(New, SG No. 105/2016, effective 1.07.2017, amended, SG No. 66/2023) (1) The merchant restructuring proceedings shall be aimed at reaching an agreement between the merchant and creditors thereof on the restructuring of the enterprise allowing the merchant's business to continue, thereby preventing the initiation of bankruptcy proceedings.

(2) The restructuring of the merchant's enterprise may include changes in the composition, conditions, and structure of the assets and liabilities, such as transactions or actions for the disposal and management of assets, of the commercial enterprise, or of any self-contained part thereof, changes in the management bodies, as well as any other appropriate measures.

(3) The Council of Ministers, pursuant to a proposal by the Minster of Economy and Industry and the Minister of Innovation and Growth, shall adopt an ordinance on the enterprises' early warning tools and access to information upon likelihood of bankruptcy.

Grounds for initiating restructuring proceedings

Article 762

(New, SG No. 105/2016, effective 1.07.2017) (1) (Supplemented, SG No. 66/2023) Restructuring proceedings may be initiated for any merchant if said merchant is not insolvent but is in imminent danger of insolvency and is able to continue the business.

(2) (Amended, SG No. 66/2023) An imminent danger of insolvency shall exist when the merchant, in view of the upcoming due dates of the payables thereof within the 12 months following the filing of the restructuring application, will become unable to settle any due payables or may stop making payments.

(3) Restructuring proceedings may not be initiated for:

1. a merchant, which has failed to request their annual financial statements for the past three years to be announced in the Commercial Register, within the legally defined time limits;
2. a merchant, for which restructuring proceedings have been initiated over the past three years prior to the filing of the restructuring application;
3. (amended, SG No. 66/2023) a merchant wherefor bankruptcy proceedings have been initiated prior to the submission of the restructuring application;
4. when more than one fifth of the merchant's payables are to related parties and parties, which have acquired, over the past three years, receivables from related parties to the merchant.

Article 763

(New, SG No. 105/2016, effective 1.07.2017, repealed, SG No. 66/2023).

Inapplicability of the restructuring proceedings

Article 764

(New, SG No. 105/2016, effective 1.07.2017, amended, SG No. 66/2023) The restructuring proceedings shall not be applicable to:

1. any public-enterprise merchant exercising a State monopoly or established by a special law;
2. insurers or reinsurers within the meaning of Article 12, Paragraphs 1 and 2 of the Insurance Code;
3. credit institutions, within the meaning of point (1) of Article 4(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012 (OJ L 176, 27 June 2013, p. 1), hereinafter referred to as "Regulation (EU) No. 575/2013", holding a banking licence issued by the Bulgarian National Bank;

4. investment intermediaries, within the meaning of Article 7, Paragraph 1 of the Markets in Financial Instruments Act, holding a licence issued by the Financial Supervision Commission;
5. management companies, national investment funds, and persons managing alternative investment funds within the meaning of Article 86, Paragraph 1, Article 171, Paragraph 1, and Article 197, Paragraph 1 of the Collective Investment Schemes' and Other Collective Investment Enterprises' Activities Act;
6. Central counterparties within the meaning of Article 2(1) of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ L 201, 27 July 2012);
7. central securities depositaries within the meaning of point (1) of Article 2(1) of Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (OJ L 257, 28 August 2014, p. 1);
8. financial holding companies, mixed financial holding companies, mixed activity holding companies, financial institutions, parent financial holding companies, within the meaning of points (20) to (22), (26) and (30) to (33) of Article 4(1) of Regulation (EU) No. 575/2013, with a registered office in the Republic of Bulgaria;
9. pension insurance companies and companies for additional voluntary insurance for unemployment and/or professional qualification within the meaning of Article 121, Paragraph 1 and Article 123j, Paragraph 1 of the Social Insurance Code;
10. other persons under Article 1, Paragraph 1 of the Credit Institutions and Investment Intermediaries Recovery and Restructuring Act.

Competent court

Article 765

(New, SG No. 105/2016, effective 1.07.2017, amended, SG No. 66/2023) Competent in the restructuring proceedings shall be the district court having jurisdiction over the registered office of the merchant, as recorded not later than 6 months prior to the filing of the restructuring application.

Creditors in the restructuring proceedings

Article 766

(New, SG No. 105/2016, effective 1.07.2017) (1) All creditors of the merchant, including the creditors, to which the merchant has established securities for third-party payables, shall be involved in the restructuring proceedings.
(2) The restructuring shall create equal rights to all creditors of the merchant of the same class.
(3) (Supplemented, SG No. 66/2023, amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) For the involvement of the creditors with nonmonetary receivables in the restructuring proceedings, all nonmonetary liabilities of the merchant shall be converted into monetary payables based on their arm's length prices at the date of filing of the restructuring application. Receivables in foreign currency shall be valued in euro at the exchange rate of the Bulgarian National Bank on the date of the filing of the restructuring application.
(4) Within the restructuring proceedings, the creditors shall reserve their rights in any provided securities.

(5) (Amended, SG No. 66/2023) A receivable under a suspensive condition shall be included in the restructuring plan as a contested receivable and the respective amount shall be reserved for the settlement thereof. A receivable under a peremptory condition shall be included in the plan as an unconditional receivable. The creditor with a conditional receivable shall be satisfied by the debtor depending on the existence of the condition.
(6) (New, SG No. 66/2023) For any receivable, contested within 30 days after the announcement of the list under Article 770, Paragraph 1, Item 7 in the Commercial Register, the respective amount shall be reserved in the restructuring plan. When only the security or the preference (privilege) has been contested, the receivable shall be included as unsecured until the dispute is resolved and the amount, which the creditor would have received for a secured receivable, shall be reserved in the restructuring plan. The creditor with a contested receivable shall be satisfied by the debtor depending on the court decision having effect for the debtor and all creditors.

Recording and announcing ruling within the restructuring proceedings

Article 767
(New, SG No. 105/2016, effective 1.07.2017) (1) A notice on the filed merchant restructuring application shall be recorded in the Commercial Register, under the merchant's file.
(2) (Amended, SG No. 66/2023) Any and all rulings of the court within the restructuring proceedings shall be recorded in the Commercial Register, under the merchant's file.
(3) (Amended, SG No. 66/2023) Recorded in the Commercial Register shall be the name, telephone number, address, and e-mail address of the court-appointed trustee and registered auditor, as well as any and all changes thereof.
(4) (Amended, SG No. 66/2023) Any and all summonses and notices within the restructuring proceedings shall be served by announcements thereof in the Commercial Register, under the merchant's file. The summoning shall be legal if the notification or summons has been announced in the Commercial Register at least one week prior to the date of the session thereon.
(5) The court shall send a notice to be announced in the Commercial Register on the filed restructuring application and shall also send any decisions under Paragraph 2 on the day these are made or the next business day at the latest, to be recorded therein.

Subsidiary application and special rules

Article 768
(New, SG No. 105/2016, effective 1.07.2017) (1) When no special provisions exist in this Part, the respective provisions of the Code of Civil Procedure shall apply for the restructuring proceedings.
(2) In addition to the rules set forth in this Part, the following special procedural rules shall apply within the restructuring proceedings:
1. the court may proactively establish facts and gather evidence relevant to its rulings under the proceedings;
2. the court may administratively impose any security measures, provided for in this Part, on the merchant's actions and business;
3. the court shall rule within three days, upon request by a party to the proceedings, unless another time limit is provided for in this Part;
4. (amended, SG No. 66/2023) the restructuring proceedings may not be terminated, except upon death of the applicant, if they are a sole trader;
5. the restructuring application may not be withdrawn after the decision of the court to endorse the restructuring plan.

(3) (Amended, SG No. 66/2023) The merchant, the trustee, the registered auditor, and any creditor may review, and receive copies of, the documents within the initiated restructuring proceedings.

Chapter Fifty-Four
(New, SG No. 105/2016, effective 1.07.2017)
INITIATION OF THE PROCEEDINGS

Restructuring application

Article 769

(New, SG No. 105/2016, effective 1.07.2017) (1) Restructuring proceedings shall be initiated upon written application filed by the merchant with the court.
(2) When the application is filed by an agent, an express power of attorney shall be required.
(3) (New, SG No. 66/2023) Attached to the application shall be:
1. a restructuring plan proposed by the merchant;
2. a financial statement valid at the end of the month preceding the month wherein the application was filed, and a balance sheet with the book values of the assets and liabilities;
3. an inventory of the personal property and the property under joint spousal ownership - for the sole trader;
4. evidence under Article 77a of the Tax and Social-Insurance Procedure Code.

Contents of the restructuring plan

(Title amended, SG No. 66/2023)

Article 770

(New, SG No. 105/2016, effective 1.07.2017) (1) (Amended, SG No. 66/2023) The restructuring plan proposed by the merchant shall contain:
1. name or business name, as the case may be, unified identification code, BULSTAT unified identification code, personal number or another identification code, registered office and management address of the merchant, and the location of the business over the past three years;
2. details on the economic position of the merchant at the time of the presentment of the restructuring plan—assets and liabilities, established securities on the property, and imposed security measures;
3. obligations of the merchant indicating the types, amounts, and maturities of the obligations, furnished securities;
4. detailed information on the merchant’s business over the past three years prior to the filing of the application, including the number of workers and employees, and any agreements, executed with counterparties, directly related to the business;
5. a detailed statement on any and all court, arbitration or enforcement proceedings, including any and all out-of-court settlements with creditors, in which the merchant is involved;
6. a list of all transactions, executed by the merchant for the disposal of any property rights not falling within the scope of their usual business over the past three years prior to the filing of the application, as well as the reasons for the execution thereof;
7. a list of all creditors containing, for each creditor:
(a) name or business name, unified identification code or another identification number, registered office and management address or another registered address, as the case may be;
(b) grounds and size of the receivable;

(c) furnished securities;
(d) for nonmonetary liabilities, the market value thereof, as determined in a valuation valid at the date of the filing of the restructuring application;
(e) whether the listed party is, or has been, related to the merchant over the past three years prior to the filing of the application;
(f) when the merchant has furnished a security to secure a payable to a third party, name or business name, unified identification code or another identification number, registered office and management address, or another registered address, as the case may be, of said third party;
8. a list of all debtors of the merchant containing, for each debtor:
(a) name or business name, unified identification code or another identification number, registered office and management address or another registered address, as the case may be;
(b) grounds and size of the payable;
(c) furnished securities;
(d) for nonmonetary liabilities, the market value thereof, as determined in a valuation valid at the date of the filing of the restructuring application;
(e) whether the listed party is, or has been, related to the merchant over the past three years prior to the filing of the application, as well as which receivables thereof are hard to collect or uncollectable;
9. a list of the creditor classes under Article 789, Paragraph 1;
10. a list of all of the merchant's counterparties not to be affected by the restructuring plan with a description of the reasons why it is proposed for them not to be affected;
11. a description of the circumstances whereunder the merchant is in an imminent danger of insolvency, including the reasons therefor, as well as the amount of the payables, with due dates within the 12 months following the filing of the restructuring application, which the merchant is unable to settle;
12. name and address of the trustee to support the merchant in the restructuring proceedings;
13. the conditions for the restructuring plan regarding:
the measures for the merchant's restructuring, including any changes in the composition, conditions and structure of the assets and liabilities, such as transactions or actions for the disposal and management of assets, of the commercial enterprise or of any self-contained part thereof, as well as the duration of said transactions or actions;
(b) the obligations to inform and consult upon changes in the business, the economic position, and the work organisation of the enterprise pursuant to Article 130c of the Labour Code and the applicable European Union acts;
(c) the expected proceeds from the merchant's business over the next 6 months;
(d) the expected proceeds from the implementation of the measures in the restructuring plan, including any new financing;
(e) the merchant's proposed manner, terms and conditions to repay its obligations to its creditors;
f) the extent of satisfaction received by each class of creditors compared to what it would have received upon liquidation of the property under the procedure provided for by the law;
g) any and all guarantees and securities, which the merchant is ready to provide to each class of creditors under the restructuring plan;
(h) the costs involved in the negotiation and endorsement of the restructuring plan;
(i) any other circumstances the merchant considers to be relevant to the proposed restructuring plan;

14. a well-grounded explanation how the restructuring plan will prevent the bankruptcy of the merchant and will ensure the viability of the business thereof, including the prerequisites for the plan's success.
(2) (Amended, SG No. 66/2023) The expected proceeds may be:
1. new financing provided by an existing or a new creditor to ensure the implementation of the restructuring plan and provided for therein;
2. interim financing, provided by an existing or a new creditor during the restructuring proceedings, required for the continuation of the merchant's business or for the preservation, or increase, of the value thereof.
(3) When the restructuring plan provides for a partial discharge of the merchant's payables, the plan shall provide for satisfaction of at least 50 percent of each creditor's receivables, except the creditors, which are related parties to the merchant, for which satisfaction to a smaller extent may be provided for.
(4) When the restructuring plan provides for a partial discharge of the merchant's payables, for the secured creditors, the plan shall provide for satisfaction in the amount of the arm's length price of their established securities and at least 50 percent of their receivables. In this case, an arm's length evaluation of all securities established by the merchant shall also be attached to the restructuring application.
(5) When the restructuring plan provides for a deferred payment of the payables, the time limit for the payment to all creditors may not be longer than three years after the date of termination of the restructuring proceedings.
(6) When the restructuring plan provides for a sale of the whole enterprise, self-contained parts thereof or separate property rights, an arm's length evaluation of the respective property, subject to the transaction, and a draft contract for sale, signed by the buyer, shall also be attached to the application.
(7) When the restructuring plan provides for a debt-for-equity swap, an arm's length evaluation of the receivable and the preliminary consent of the creditor to subscribe to shares against its receivable, shall also be attached to the application. Article 700, Paragraph 6 shall be applied accordingly.
(8) (New, SG No. 66/2023) The costs involved in the negotiation and endorsement of the restructuring plan may be any fees and remunerations to obtain professional advice on the restructuring, any wages, salaries and other costs for the continuation of the merchant's business to the extent they are related to the negotiation and endorsement of the plan.
(9) (New, SG No. 66/2023) The Minister of Justice, the Minister of Economy and Industry, and the Minister of Innovation and Growth shall jointly endorse practical guidance on the creation of a restructuring plan, whereupon said guidance shall be published on the official websites of the Ministry of Justice, the Ministry of Economy and Industry, the Ministry of Innovation and Growth, and the Bulgarian Small and Medium Enterprises Promotion Agency.

Review of the application

Article 771

(New, SG No. 105/2016, effective 1.07.2017) (1) The application on initiation of restructuring proceedings shall be immediately heard by the court in a closed session.
(2) When the application is filed by a merchant, for whom obstacles for the initiation of restructuring proceedings under Article 762, Paragraph 3 exist, the court, by order, shall terminate the proceedings under the application and shall return the application to the applicant. The order to

terminate the proceedings may be appealed by the merchant within 7 days under the procedure of the Code of Civil Procedure.
(3) When the contents of the application does not meet the requirements of Article 770, Paragraph 1 or no evidence under Article 770, Paragraph 2 is attached thereto, or the conditions under Article 770, Paragraphs 3 - 7 are not met, the court shall notify the applicant to correct the discrepancies within one week. The time limit to correct the discrepancies shall commence as of the announcement of the notice in the Commercial Register. When the discrepancies are not corrected within the set time limit, the proceedings under the application shall be terminated and the application shall be returned to the merchant. The order to terminate the proceedings and return the application may be appealed by the merchant within 7 days under the procedure of the Code of Civil Procedure.
(4) The court may schedule the application to be heard in an open session, if it deems necessary to hear the merchant or collect other evidence in addition to the evidence attached to the restructuring application.

Initiation of the proceedings

Article 772

(New, SG No. 105/2016, effective 1.07.2017) (1) When the court finds that conditions for the initiation of restructuring proceedings for the merchant indeed exist, the court, by decision:
1. shall initiate restructuring proceedings for the merchant;
2. (amended, SG No. 66/2023) may appoint a trustee, if it deems necessary, in which case it shall set the trustee's remuneration and powers in the restructuring proceedings;
3. may grant security measures by imposing attachment, interdiction or other suitable security measures;
4. may appoint a registered auditor;
5. shall set a date for an open court session to hear and endorse the merchant's proposed restructuring plan, not later than three months after the date of initiation of the proceedings.
(2) (New, SG No. 66/2023) The court shall appoint a trustee:
1. when it is necessary to protect the interests of the parties;
2. when the restructuring plan may be endorsed by the court with an enforced application to all creditor classes;
3. upon request by the merchant or by the majority of the creditors with a commitment to pay the remuneration of the trustee and the costs involved in the restructuring proceedings.
(3) (Renumbered from Paragraph (2), SG No. 66/2023) The decision on initiation of restructuring proceedings shall apply to everyone.
(4) (Renumbered from Paragraph (3), amended, SG No. 66/2023) Simultaneously with its decision on initiation of the restructuring proceedings, the court shall also announce in the Commercial Register the list of the creditors, created by the merchant under Article 770, Paragraph 1, Item 7.

Rejection of the application on initiation of restructuring proceedings

Article 773

(New, SG No. 105/2016, effective 1.07.2017) (1) The court shall reject the application on initiation of restructuring proceedings, by decision, when the court finds that:
1. (amended, SG No. 66/2023) the proposed plan cannot prevent the initiation of bankruptcy proceedings or create conditions for the continuation of the merchant's business;
2. there are grounds to initiate bankruptcy proceedings for the merchant under Article 607a;

3. the merchant fails to appear at the open session scheduled to hear the application under Article 771, Paragraph 4 or declines to provide any explanations requested by the court;
4. the restructuring proposal apparently does not correspond to the merchant's economic and financial position;
5. the circumstances set out in the merchant's application do not correspond to the details from the annual financial statements, as announced in the Commercial Register, and the remaining evidence attached to the application;
6. (amended, SG No. 66/2023) the danger of insolvency of the merchant is due to bad faith or gross negligence in the conduct of the merchant's business;
7. the rules on the application of the State aid legislation have not been followed.
(2) The court may reject the application on initiation of restructuring proceedings, by decision, when the court finds that:
1. over the past three years prior to the filing of the application, the merchant has conducted gratuitous or other transactions apparently reducing its property;
2. no conditions and opportunities exist for the merchant's business to continue after endorsement of the restructuring plan.
(3) The decision on the rejection of the application may be appealed by the merchant within 7 days after its announcement in the Commercial Register under the procedure of the Code of Civil Procedure.

Chapter Fifty-Five
(New, SG No. 105/2016, effective 1.07.2017)
CONSEQUENCES OF INITIATION OF THE PROCEEDINGS

Date of initiation of the restructuring proceedings

Article 774
(New, SG No. 105/2016, effective 1.07.2017) The restructuring proceedings shall be considered initiated as of the date of announcement of the decision under Article 772 in the Commercial Register.

Merchant's business name after the initiation of the proceedings

Article 775
(New, SG No. 105/2016, effective 1.07.2017) As of the initiation of the restructuring proceedings, the text "under restructuring proceedings" shall be added to the merchant's business name.

Restrictions on the merchant's business

Article 776
(New, SG No. 105/2016, effective 1.07.2017) (1) (Supplemented, SG No. 66/2023) Upon initiation of the restructuring proceedings, the merchant may not make any payments on any past due payables which have arisen prior to the date of the application to initiate the proceedings, excluding payments on any public receivables such as value-added tax, excise, taxes or mandatory social security contributions on behalf of a worker, employee, or other person from whose remuneration the respective public receivable is being withheld.

(2) (Amended, SG No. 66/2023) The court may rule the merchant to continue its business under the supervision of the trustee and to execute any court-approved transactions only upon the prior consent of the trustee.
(3) (Amended, SG No. 66/2023) If the court finds that the merchant, with its actions, may worsen further its economic position or its financial difficulties, the court may restrict the merchant's rights to manage and dispose of its property, and may provide for certain actions, related to the management and disposal of certain assets from its property, to be performed only upon prior approval by the trustee.
(4) (Amended, SG No. 66/2023) The court may rule that certain obligations to the merchant shall be performed upon approval by the trustee.
(5) (Supplemented, SG No. 66/2023) The court may rule that certain payables to the merchant shall be settled with the trustee's consent.
(6) (Supplemented, SG No. 66/2023) Restrictions on the merchant's rights and business under Paragraphs 2 – 5 may be imposed by the court with its decision on initiation of the restructuring proceedings or over the course of the restructuring proceedings - administratively or upon request by the trustee or any creditor. The merchant may appeal the decision within 7 days under the procedure of the Code of Civil Procedure.
(7) (Renumbered from Paragraph (8), SG No. 66/2023) The court may revoke any imposed restrictions on the merchant's business, if the continuation thereof is not required for the achievement of the restructuring objectives.
(8) (Renumbered from paragraph (7), amended, SG No. 66/2023) Any and all imposed or revoked restrictions on the merchant's business under Paragraphs 2 to 5 shall be recorded in the Commercial Register as based on the respective court ruling.
(9) Any actions and transactions performed by the merchant in violation of restrictions imposed by the court shall not have effect vis-a-vis the creditors in the restructuring proceedings.

Termination of contracts

Article 777

(New, SG No. 105/2016, effective 1.07.2017) (1) (Supplemented, SG No. 66/2023) Upon request by any party, the court may allow the termination of any bilateral agreement whereto the merchant is party, if said agreement has not been performed in full or in part at the time of initiation of the restructuring proceedings, provided that said agreement is not necessary for the continuation of the merchant's business.
(2) The court shall allow the termination of the contract under Paragraph 1 only if the court finds that the performance of the contract will impede the performance of the merchant's obligations, provided for in the restructuring plan, and that the non-performance of the contract will not cause more than the usual damages to the other party.
(3) Upon termination of the contract, the other party shall be entitled to damages.
(4) (New, SG No. 66/2023) The creditors may not refuse, terminate, or otherwise object to, the performance of any agreements, executed thereby with the merchant, only because the restructuring proceedings were initiated, or an application thereto was filed.
(5) (New, SG No. 66/2023) After the initiation of the restructuring proceedings, the creditors may not refuse, terminate, or otherwise object to, the performance of any agreements, executed thereby with the merchant prior to the initiation of the restructuring proceedings and necessary for the continuation of the merchant's business, only on the grounds that said agreements have not been paid.

Merchant’s obligation for cooperation

Article 778

(New, SG No. 105/2016, effective 1.07.2017) (1) The merchant shall, immediately and upon request:

1. notify the trustee on any new accepted obligation, any new executed transaction, as well as on any amendment and settlement thereof;
2. grant the trustee unrestricted access to all the premises within the merchant’s enterprise;
3. allow the trustee and the appointed auditor to review the merchant’s business books and other documents related to the merchant’s business.

(2) The merchant shall provide the court, the trustee and the appointed auditor with any required information on the state of the merchant’s property and business at the date of the request, as well as any documents related thereto. Such information and documents shall be provided within 7 days after the written request.

Deduction

Article 779

(New, SG No. 105/2016, effective 1.07.2017) (1) After initiation of the restructuring proceedings, the creditors may deduct their receivables and payables to the merchant, only if the conditions for such deductions have existed prior to initiation of the restructuring proceedings, including for any public receivables such as value-added tax, excise, taxes or mandatory social security contributions on behalf of a worker, employee or other person, from whose remuneration the respective public receivable is being withheld.

(2) After initiation of the restructuring proceedings, the merchant may not deduct any amounts against payables, arising prior to initiation of the restructuring proceedings.

Stay of enforcement action against the merchant

Article 780

(New, SG No. 105/2016, effective 1.07.2017) (1) (Supplemented, SG No. 66/2023) After initiation of the restructuring proceedings, no enforcement proceedings against the merchant and no enforcement action under the procedure of the Registered Pledges Act against any property of the merchant shall be admissible. Enforcement action against the merchant to collect receivables owed to workers and employees may not be suspended.

(2) (Supplemented, SG No. 66/2023) Upon the initiation of the restructuring proceedings, all enforcement proceedings against the merchant shall be suspended, with the exception of those to collect receivables owed to workers and employees, as well as any enforcement against the property of the merchant under the procedure of the Registered Pledges Act. Security measures may be imposed under the stayed enforcement proceedings against the merchant.

(3) Any enforcement action prior to the stay shall remain in effect. After the stay, the private or public enforcement agent may not take any new enforcement action, but may take action to secure the receivable. Interest shall be assessed for the duration of the stay.

(4) The stay of enforcement proceedings and enforcement action under the procedure of the Registered Pledges Act shall remain in effect until termination of the restructuring proceedings.

(5) Upon endorsement of a restructuring plan, the stay under Paragraphs 2 – 4 shall be replaced by the effect of the decision on endorsement of the restructuring plan.

(6) (Supplemented, SG No. 66/2023) If the restructuring proceedings are terminated without endorsement of a restructuring plan within 4 months, any suspended enforcement proceedings or

satisfaction actions, taken under the procedure in the Registered Pledges Act, shall be resumed thereupon.

Obstacles for initiation of bankruptcy proceedings

Article 780a

(New, SG No. 66/2023) After the initiation of restructuring proceedings, it shall be inadmissible for bankruptcy proceedings to be initiated upon request by the merchant or any creditor thereof. The time limit under Article 626, Paragraph 1 shall commence upon the termination of the restructuring proceedings.

Suspension of the period of prescription

Article 781

(New, SG No. 105/2016, effective 1.07.2017) (1) For any receivables against the merchant, the period of prescription shall be suspended for the period between initiation and termination of the restructuring proceedings.

(2) Any suspended periods of prescription shall be resumed upon termination of the restructuring proceedings, except in the cases, when the proceedings are completed with an endorsed restructuring plan.

Trustee

Article 782

(New, SG No. 105/2016, effective 1.07.2017) (1) (Amended, SG No. 66/2023) The trustee shall support the merchant or creditors thereof in the creation and negotiation of a restructuring plan and shall supervise the merchant's business if provided for by a court ruling within the restructuring proceedings.

(2) (Amended, SG No. 66/2023) The court shall appoint as a trustee a person, eligible for trusteeship in bankruptcy under the requirements of Article 655, Paragraph 2.

(3) Upon their appointment, the trustee shall declare in writing and with a notarised signature their eligibility to act as trustee in the restructuring proceedings, their involvement in companies as a partner, shareholder, their service as a liquidator, trustee in bankruptcy, trustee and other paid positions. Upon any change of any circumstance under sentence one, the trustee shall immediately notify the court in writing thereon.

(4) (Supplemented, SG No. 66/2023) The trustee shall enter into office within three days after the announcement of the decision on initiation of the restructuring proceedings, by stating before the court their consent to act as trustee. If the trustee does not come into office, the court shall appoint forthwith another person upon proposal by the merchant.

(5) The court shall dismiss the trustee:

1. upon their written request, addressed to the court;
2. upon interdiction;
3. if the appointed trustee is no longer eligible under Article 655, Paragraph 2;
4. upon actual inability to exercise their powers;
5. (supplemented, SG No. 66/2023) upon request by the merchant or by the creditors holding more than half of the total amount of the receivables.

(6) The court may dismiss the trustee at any time, if the court finds that the trustee is failing to perform their obligations or that its actions put the interests of the merchant and the creditors at risk.

(7) The court decision to dismiss the trustee may not be appealed.

Powers of the trustee

Article 783

(New, SG No. 105/2016, effective 1.07.2017) (1) (Amended, SG No. 66/2023) The trustee shall have the following powers:

1. to review the creditors' objections to, and positions on, the list of the creditors, as created by the merchant, and to propose for endorsement by the court a list of the creditors eligible to vote on the restructuring plan;
2. to create a written report on the condition of the property and on the business of the merchant;
3. to supervise the merchant's business in accordance with the court-imposed restrictions thereon under Article 776, Paragraphs 2 to 5 and monitor the compliance with the imposed restrictions;
4. to communicate forthwith to the court any circumstances constituting grounds to impose restrictions on the merchant's business;
5. to supervise the merchant's business with regard to the implementation of the endorsed restructuring plan.

(2) The trustee shall assist the merchant and the creditors in detailing the contents of the restructuring plan.

(3) The trustee shall submit to the court a written report on:

1. the condition of the merchant's property and business;
2. the reliability of the details, contained in the restructuring application and the attachments thereto;
3. the causes for the danger of bankruptcy of the merchant;
4. the feasibility of the obligations undertaken with the restructuring proposal.

(4) The written report under Paragraph 3 shall be submitted to the court and made available to the creditors not later than 14 days before the scheduled court hearing of the restructuring plan.

(5) The trustee shall appear at the court hearing of the proposed restructuring plan to verbally corroborate their written report and answer any questions by the court and the persons involved in the restructuring proceedings.

Auditors

Article 784

(New, SG No. 105/2016, effective 1.07.2017) (1) (Amended, SG No. 66/2023) The court may administratively appoint a registered auditor upon initiation of the proceedings or at a later stage.

(2) (Amended, SG No. 66/2023) The appointed auditor shall create a report to the court and the creditors on the consistency of the projections and of the manner of satisfaction of the creditors, as indicated in the restructuring plan, with the financial and economic position of the merchant, and shall present the report not later than 7 days prior to the court session.

(3) The court shall set the remuneration of the auditor, which shall be deposited by the merchant within 7 days after its notification thereon.

Forensic experts

Article 785

(New, SG No. 105/2016, effective 1.07.2017) (1) The court may, administratively or upon request by a person involved in the restructuring proceedings, appoint a forensic expert to clarify any circumstances, relevant to the proposed restructuring plan, for which special knowledge is required.

(2) The forensic expert shall appear in person at the court session for endorsement of the restructuring plan, corroborate their conclusion and answer any questions by the court and the persons involved in the proceedings.
(3) The court shall set the remuneration of the forensic expert, which shall be deposited by the merchant within 7 days after its notification thereon.

Chapter Fifty-Six
(New, SG No. 105/2016, effective 1.07.2017)
HEARING AND ENDORSEMENT OF THE RESTRUCTURING PLAN

Final list of the creditors eligible to be involved in the restructuring proceedings

Article 786

(New, SG No. 105/2016, effective 1.07.2017) (1) (Amended, SG No. 66/2023) Any creditor may raise a written objection before the court with a copy to the trustee and the merchant against the inclusion or non-inclusion of a creditor in the list under Article 770, Paragraph 1, Item 7 within 14 days after the announcement of the list in the Commercial Register. The merchant may, within 7 days after the expiration of the time limit for objections, express their written position before the court, with a copy to the trustee, on the objections raised by the creditors.
(2) Within 14 days after the expiration of the time limits under Paragraph 1, the trustee shall create a draft final list of the creditors eligible to vote on the restructuring plan, indicating the creditor, the amount and the grounds of the receivable, privileges and securities. The draft final list shall be created by the trustee, based on the merchant's evidence attached to the application on initiation of the restructuring proceedings, taking into account any raised objections and expressed positions thereon, and shall be submitted to the court.
(3) The court shall hear the draft final list in a closed session and, upon considering the raised objections and expressed positions, shall approval a final list of the creditors. The court shall announce its decision not later than 14 days before the scheduled court session to vote on the restructuring plan. The court decision to approve the final list shall be announced in the Commercial Register not later than 7 days before the court hearing of the plan.
(4) (Amended, SG No. 66/2023) If no objections against the list under Article 770, Paragraph 1, Item 7 have been filed within the time limit under Paragraph 1, the trustee shall create the draft final list only based on the evidence attached to the application on initiation of restructuring proceedings.
(5) The creditors, included in the final list of creditors, endorsed by the court, may participate in the court hearing of the restructuring plan and vote on its endorsement.

Court hearing of the restructuring plan

Article 787

(New, SG No. 105/2016, effective 1.07.2017) (1) The restructuring plan shall be heard in an open court session with the participation of the merchant, the creditors under Article 786, Paragraph 5, the trustee, the auditor and the forensic expert in the cases, when such persons have been appointed.
(2) The participation of the merchant in the court session is mandatory.
(3) The hearing of the restructuring plan shall be in a closed session.

Discussion of the proposed restructuring plan

Article 788

(New, SG No. 105/2016, effective 1.07.2017) (1) At the court hearing of the restructuring plan, the merchant may clarify, detail and supplement the proposed restructuring plan. The supplements to the plan may not provide for any less-favourable terms to satisfy the creditors than the terms in the proposed restructuring plan.

(2) The merchant shall answer any questions by the court and the creditors with regard to the projections in the restructuring plan.

(3) At the court session, the report of the trustee under Article 783, Paragraph 3, the report of the auditor and the conclusion of the forensic expert, if such persons have been appointed in the proceedings, shall be heard.

(4) After the contents of the restructuring plan is finalised, the court shall create a report on the contents of the plan, indicating any clarifications and supplements made at the court session to the proposed restructuring plan, and shall move to vote on the plan.

Voting on the proposed restructuring plan

Article 789

(New, SG No. 105/2016, effective 1.07.2017) (1) The creditors shall vote on the proposed restructuring plan separately, divided into the following classes:

1. creditors with secured receivables and creditors holding a right of retention;
2. (amended, SG No. 102/2017, effective 22.12.2017, SG No. 15/2018, effective 16.02.2018) creditors with receivables, resulting from employment relationships or terminated employment relationships which have arisen prior to the date of the decision on initiation of restructuring proceedings;
3. creditors with public-law receivables, arising prior to the date of the decision on initiation of restructuring proceedings;
4. creditors with unsecured receivables;
5. (supplemented, SG No. 66/2023) all creditors, who are related parties to the merchant, regardless of the foregoing classes, with the exception of the creditors under Item 2.

(2) Any creditor may be represented at the court hearing of the restructuring plan by proxy holding an express power of attorney.

(3) The plan shall be adopted by each class by majority of more than half of the receivables within the class and with at least three fourths of the total number of creditors within the class voting in favour of the plan.

(4) (Amended, SG No. 66/2023) The creditors under Paragraph 1, Item 5 shall not vote on the adoption of the restructuring plan.

Endorsement of the restructuring plan

Article 790

(New, SG No. 105/2016, effective 1.07.2017) (1) The court shall endorse or refuse to endorse the adopted plan, by decision, in a closed session.

(2) The court shall endorse the plan, if:

1. the requirements of the law have been met;
2. (amended, SG No. 66/2023) the plan has been adopted with the majority under Article 789, Paragraph 3 within each class of creditors;

3. (supplemented, SG No. 66/2023) all creditors of the same class shall be treated equally and shall be satisfied to the same extent in compliance with the requirements in Article 770, Paragraphs 4 and 5;
4. (amended, SG No. 66/2023) the plan was announced in the Commercial Register;
5. no creditor receives more than is due under this creditor's receivable;
6. (amended, SG No. 66/2023) when the plan provides for new financing, said financing must be necessary for the implementation of the plan and may not be prejudicial to the interests of the creditors;
7. the plan has received prior consent of the Minister of Finance under Article 189, Paragraph 1 of the Tax and Social-Insurance Procedure Code and under Article 3, Paragraph 11 of the National Revenue Agency Act;
8. the applicable rules on the State aid, including the cases, when a decision by the European Commission thereon is required, have been adhered to;
9. (new, SG No. 66/2023) if there are any creditors opposing the plan, they will not be placed thereunder in a less favourable position than that they would be in if the order of repayment of the receivables under Article 722, Paragraph 1 were applied;
10. (new, SG No. 66/2023) the application thereof can prevent the initiation of bankruptcy proceedings and create conditions for the continuation of the merchant's business.
(3) (New, SG No. 66/2023) Upon the merchant's proposal or consent, the court may endorse the restructuring plan, without the existence of the conditions under Paragraph 2, Item 2, if:
1. the plan was approved by the majority of the creditor classes under Article 789, Paragraph 1, eligible to vote, including by at least one of the creditor classes under Article 789, Paragraph 1, Items 1 to 3 or, if this is not possible, the plan was approved by at least two of the creditor classes under Article 789, Paragraph 1, eligible to vote, which would receive payment if the order of repayment of the receivables under Article 722, Paragraph 1 were applied;
2. the creditors, eligible to vote and opposing the plan, are affected at least as favourably as any other class at the same level and more favourably than any lower class;
3. no creditor class receives more than is due under the receivable thereof.
(4) (New, SG No. 66/2023) A creditor shall be considered affected unfavourably when the value of the creditor's receivable is decreased as a result of the application of the restructuring plan.
(5) (New, SG No. 66/2023) Any creditor opposing the plan may raise a written objection against the proposal for the endorsement of the restructuring plan within 7 days after the announcement of the plan in the Commercial Register, upon any noncompliance with the requirements under Paragraph 2, Item 9, or under the second case in Paragraph 3, Item 1. In this case, the court shall appoint an expert to establish the value of the enterprise/property of the merchant and of the receivables, respectively, if the order of repayment of the receivables under Article 722, Paragraph 1 were applied.
(6) (Renumbered from Paragraph (3), amended, SG No. 66/2023) The decision under Paragraph 1 may be appealed, within 7 days after its announcement in the Commercial Register, before the Supreme Court of Cassation under the procedure of Chapter Twenty-One of the Code of Civil Procedure. The appeal may be filed by the merchant and by any creditor, affected by the transformative effect of the plan. The appeal against the decision shall not suspend the implementation of the endorsed restructuring plan.
(7) (Renumbered from Paragraph (4), amended, SG No. 66/2023) The court shall announce in the Commercial Register the filed appeal against the decision under Paragraph 1, whereupon any of the remaining parties to the case may raise a written objection against the filed appeal within 7 days after the announcement thereof.

(8) (Renumbered from Paragraph (5), supplemented, SG No. 66/2023) The Supreme Court of Cassation shall hear the appeal in a closed session and rule thereon, within 14 days, with a decision which shall be final.

Chapter Fifty-Seven
(New, SG No. 105/2016, effective 1.07.2017)
EFFECT OF THE RESTRUCTURING PLAN

Effect of the plan

Article 791

(New, SG No. 105/2016, effective 1.07.2017) (1) The restructuring plan endorsed by the court shall be binding for the merchant and for the creditors, holding receivables arising prior to the date of the decision to endorse the plan, including the creditors, who have not been involved in the proceedings or have voted against the plan.

(2) The plan shall have no effect for any creditor, who has not been included in the list of creditors or has not been provided with the opportunity to vote for the acceptance of the plan.

(3) The plan shall not concern the rights of creditors with regard to any securities established thereto, including any securities established by third parties, and the rights of the creditors vis-a-vis the jointly liable debtors.

(4) (Amended, SG No. 66/2023) The plan shall be binding on all partners and shareholders, including on the sole owner of the capital of the merchant. Any action or transaction, executed thereby in violation of the endorsed restructuring plan, shall be invalid.

(5) The receivable of any creditor under Paragraph 1 shall be converted as provided for in the plan.

(6) The merchant shall immediately implement the structural changes provided for by the plan.

(7) (Amended, SG No. 66/2023) Upon the coming into force of the court decision endorsing the plan, the powers of the trustee shall be terminated, except in the cases when, by decision of the court, the trustee is assigned to supervise the merchant’s business during the implementation of the restructuring plan.

(8) (Supplemented, SG No. 66/2023) With the endorsement of the restructuring plan, any enforcement proceedings and actions under the procedure of the Registered Pledges Act shall be stayed. Any suspended enforcement proceedings and action shall be resumed if the plan is not implemented within 8 months.

(9) (New, SG No. 66/2023) Upon the coming into force of the court decision endorsing the plan, any pending proceedings on any applications for the initiation of bankruptcy proceedings for the merchant shall be terminated.

Time limit for conclusion of a contract

Article 792

(New, SG No. 105/2016, effective 1.07.2017) (1) The time limit to conclude a contract for the sale of the whole enterprise, a self-contained part thereof or a separate property right, if such contract is provided for by the endorsed restructuring plan, shall be one month after the coming into force of the decision of the court to endorse the plan.

(2) When no contract for sale is concluded within the time limit under Paragraph 1, according to the draft contract for sale attached to the endorsed restructuring plan, the plan shall be considered not implemented with regard to all receivables affected by the plan.

Failure to implement the plan

Article 793

(New, SG No. 105/2016, effective 1.07.2017) (1) Any creditor, not receiving full or partial performance within the time limits provided for in the plan, may, based on the restructuring plan, endorsed by an effective decision, apply for a writ of execution to be issued under the procedure of Article 405 of the Code of Civil Procedure for their receivable.

(2) In the cases under Paragraph 1, the transformative effect of the plan with regard to the rights of such creditor shall be retroactively cancelled and the creditor may collect the outstanding part of its receivable under the procedure provided for by the law.

(3) If enforcement proceedings have been initiated or enforcement action have been taken with regard to the creditor's receivable, under the procedure of the Registered Pledges Act, prior to initiation of the restructuring proceedings, the creditor may request the stayed enforcement to be resumed. The court, endorsing the restructuring plan, shall issue an order on the creditor's resumption request. Article 407 of the Code of Civil Procedure shall be applicable for the court order to resume the enforcement.

Period of prescription upon an endorsed restructuring plan

Article 794

(New, SG No. 105/2016, effective 1.07.2017) (1) For the receivable transformed with the restructuring plan, a new period of prescription shall commence under Article 110 of the Obligations and Contracts Act.

(2) The period of prescription shall commence when the transformed receivable becomes payable, as provided for in the restructuring plan.

(3) For the time limit for performance on the receivable transformed by the plan, no period of prescription shall run for the remaining part of the creditor's initial receivable.

Invalidation of the plan

Article 795

(New, SG No. 105/2016, effective 1.07.2017) (1) Any creditor, affected by the restructuring plan, may request the plan to be invalidated on the grounds of threat or fraud in the time limit for implementation of the plan.

(2) The invalidation shall be effective for this creditor only and shall grant the latter right to collect its receivable in full.

Protection of actions and transactions during restructuring

Article 795a

(New, SG No. 66/2023) (1) If bankruptcy of the merchant is declared after the endorsement of the restructuring plan, the following may not be revoked, declared null and void, or invalid under the terms of Articles 645 to 647 with regard to the bankruptcy creditors:

1. any actions or transactions, executed by the merchant and included in the restructuring plan endorsed by the court, to provide any new or interim financing within the meaning of Article 770, Paragraph 2, Items 1 and 2;
2. any actions or transactions executed by the merchant, with costs thereon incurred under Article 770, Paragraph 8, for the negotiation and endorsement of the restructuring plan;
3. any actions or transactions executed by the merchant in accordance with the endorsed restructuring plan and necessary for the implementation thereof.

(2) Any entry into, and execution of, any transactions to provide new or interim financing for the merchant may not become grounds to invoke any liability for damages to the creditors, unless otherwise provided for by the law.
(3) The creditors' receivables, arising from any entry into, and execution of, any transactions related to new or interim financing for the merchant, shall be satisfied after the receivables under Article 789, Paragraph 1, Item 3 and before the receivables under Article 789, Paragraph 1, Item 4.

Chapter Fifty-Eight
(New, SG No. 105/2016, effective 1.07.2017)
TERMINATION OF THE RESTRUCTURING PROCEEDINGS

Termination of the proceedings

Article 796

(New, SG No. 105/2016, effective 1.07.2017) (1) The restructuring proceedings shall be terminated:
1. when the merchant withdraws its proposal for a restructuring plan, before the creditors have voted on the plan;
2. (amended, SG No. 66/2023) when a restructuring plan was not endorsed by the court within 4 months after the initiation thereof;
3. when, after initiation of the proceedings, obstacles under Article 762, Paragraph 3 to conduct restructuring proceedings for the merchant are found or it is found that the details provided by the merchant are false;
4. when the merchant fails to appear at the court hearing of the plan;
5. upon violation of the court imposed restrictions on the merchant's actions;
6. when the merchant fails to cooperate with the trustee, the court appointed auditor or fails to submit to the court, within the set time limit, any requested information and evidence, or fails to deposit the expenses set by the court for the remunerations of the trustee, the auditor or the forensic expert;
7. when the proposed restructuring plan has not been adopted or endorsed;
8. upon the endorsement of the restructuring plan.
(2) (Amended, SG No. 66/2023) With its decision endorsing the plan, the court shall terminate the restructuring proceedings and may assign the trustee to supervise the merchant's business with regard to the implementation of the endorsed restructuring plan, whereupon the court shall set the trustee's remuneration.
(3) Upon request by a creditor, by the supervisory body or by the merchant, with the decision to endorse the restructuring plan or at a later stage for the purpose of preservation of the property and of ensuring the implementation of the plan, the court may:
1. determine the property, which the merchant may dispose of only with the prior permission of the supervisory body, and if the latter does not exist, with that of the court;
2. replace one or more members of the supervisory body by other persons.

Appeal

Article 797

(New, SG No. 105/2016, effective 1.07.2017) (1) Any decisions under Article 796, Paragraph 1, Items 2 - 6 may be appealed by the merchant within 7 days after the announcement thereof in the Commercial Register under the procedure of Chapter Twenty-One of the Code of Civil Procedure. The decision of the appellate court may not be appealed.
(2) (Amended, SG No. 66/2023) The decision under Article 796, Paragraph 1, Item 7 may be appealed by the merchant and by any creditor under the procedure of Article 790, Paragraphs 6 – 8.
(3) Such appeals shall be announced in the Commercial Register, whereby the merchant and the creditors shall be considered duly notified thereon.

Chapter Fifty-Nine
(New, SG No. 66/2023)
ENTREPRENEUR RESTRUCTURING PROCEEDINGS

Subsidiary application and special rules

Article 798
(New, SG No. 66/2023) In the absence of special provisions in this Chapter, the provisions on the restructuring proceedings for the sole trader shall apply accordingly to the restructuring proceedings for the entrepreneur.

Competent court

Article 799
(New, SG No. 66/2023) Competent for the restructuring proceedings shall be the district court having jurisdiction over the entrepreneur’s registered office, as recorded not later than 6 months prior to the filing of the application for the initiation of restructuring proceedings or, if the entrepreneur does not have a registered office, over the entrepreneur’s permanent address.

Recording and announcing ruling within the restructuring proceedings

Article 800
(New, SG No. 66/2023, amended, SG No. 82/2024) Any and all rulings under Article 767 within the restructuring proceedings for the entrepreneur shall be recorded or announced in the bankruptcy register of Ministry of Justice.

SUPPLEMENTARY PROVISIONS
(New, SG No. 63/1994)

§ 1. (1) "Related parties" within the meaning hereof, shall be:
1. spouses, lineal relatives up to any degree of consanguinity, collateral relatives up to the second degree of consanguinity inclusive, and affines up to the third degree of affinity inclusive;
2. an employer and an employee;
3. two persons, of whom one is involved in the management of the other’s company;
4. partners;
5. a company and a person, holding more than 5 percent of the voting shares in the company;
6. persons, whose activities are under the direct or indirect control of a third party;
7. persons, who exercise joint direct or indirect control over a third party;
8. two persons, of whom one is a dealer of the other;

9. two persons, of whom one has made a donation in favour of the other.
(2) "Related parties" shall also be the persons, who either directly or indirectly have part in the management, control or capital of another person or persons and thereby may agree between themselves on terms other than the customary.

§ 1a. (New, SG No. 70/1998) "Self-contained part" within the meaning hereof, shall be an organisational structure capable to conduct business on its own (store, workshop, ship, shop, restaurant, hotel, etc.).

§ 1b. (New, SG No. 38/2006) "Website" within the meaning hereof, shall be a self-contained resource within the World-Wide Web (the Internet), containing programs, text, sound, graphics, images or other material and accessible through a standardised access protocol and content presentation.

§ 1c. (New, SG No. 104/2007) (1) "Control" within the meaning hereof, shall exist, when one natural or juridical person (controlling party):
1. holds more than one-half of the votes in the General Meeting of another juridical person, or
2. has the right to appoint more than one-half of the members of the management or supervisory body of another juridical person and, at the same time, is a shareholder or a partner in the said juridical person, or
3. has the right to exercise a dominant influence over another juridical person by virtue of a contract concluded therewith or by virtue of its Memorandum or Articles of Association, or
4. is a shareholder or a partner in another juridical person and by virtue of a contract with other shareholders or partners controls, on their own, more than one-half of the votes in the General Meeting of that juridical person.
(2) In the cases under Paragraph 1, Items 1, 2 and 4, the votes of the persons controlled by the controlling party, as well as the votes of persons, who act on their own behalf, but at the expense of the controlling party or at the expense of another person controlled thereby, shall be added to the votes of the controlling party.
(3) In the cases under Paragraph 1, Items 1, 2 and 4, the votes under shares held by the controlling party at the expense of another person, who is not controlled thereby, as well as the votes under shares, which the controlling party holds as security, shall not be treated as votes of the controlling party, if the rights thereunder are exercised to order or in the interest of the person, who has furnished the security.
(4) In the cases under Paragraph 1, Items 1 and 4, the total number of votes in the General Meeting of a controlled party shall be reduced by the votes under shares held by the said party, by a person controlled by the said party, or by a person acting on their own behalf, but at the expense of the said party.

§ 1d. (New, SG No. 20/2013, amended, SG No. 13/2016, effective 15.04.2016) "Public contracting authority" within the meaning hereof shall be any person under Article 5, Paragraphs 2 - 4 of the Public Procurement Act.

§ 1e. (New, SG No. 27/2018) "Beneficial owner" shall have the meaning assigned to it in § 2 of the Supplementary Provisions of the Measures Against Money Laundering Act.

§ 1f. (New, SG No. 83/2019, effective 22.10.2019) "Central securities depository" is a central depository within the meaning of § 1, item 6 of the Supplementary Provisions of the Markets in Financial Instruments Act.

§ 1g. (New, SG No. 82/2024) A "Member State", within the meaning of this Act, shall mean any Member State of the European Union or any other state party to the Agreement on the European Economic Area.

§ 2. (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) Receivables in foreign currency shall be converted into euro at the exchange rate of the Bulgarian National Bank as of the date of the decision on initiation of the bankruptcy proceedings.

§ 3. The provisions of Part Four hereof concerning the companies shall apply also to the cooperative merchant.

§ 3a. (New, SG No. 38/2006) The Minister of Justice shall organise the keeping and storage in electronic format of the register under Article 634c, Paragraph 1.

§ 4. (Amended, SG No. 28/2002) The Privatization and Post-privatization Control Act shall not apply to cases under Article 700, Paragraph 2 hereof.

§ 5. (1) (Amended, SG No. 70/1998, SG No. 28/2002, amended and supplemented, SG No. 31/2003, amended, SG No. 38/2006) A decision to determine a method for sale of shares in any company, in which the State or a municipality holds more than 50 percent of the capital, for which bankruptcy proceedings have been initiated, may be adopted prior to the date of the decision of the bankruptcy court approving the list of the admitted receivables under Article 692, Paragraph 4.
(2) The bankruptcy proceedings shall be suspended with the approval by the court of the list of the admitted receivables under Article 692.
(3) Unless a privatisation transaction is concluded within 4 months after the suspension of the bankruptcy proceedings, the bankruptcy proceedings shall be resumed.
(4) (Amended, SG No. 28/2002) The proceeds from the privatisation of companies with initiated bankruptcy proceedings shall be distributed under the procedure of Section I of Chapter Forty-Seven hereof. The balance after the satisfaction of the creditors shall be distributed under the procedure of Articles 8 and 10 of the Privatisation and Post-privatisation Control Act.

§ 5a. (New, SG No. 104/2007) This Act shall transpose the provisions of the First Council Directive (68/151/EEC) on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community, the Second Council Directive (77/91/EEC) on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent, the Third Council Directive (78/855/EEC) based on Article 54, Paragraph 3 (g) of the Treaty concerning mergers of public limited-liability companies, the Sixth Council Directive (82/891/EEC) based on Article 54, Paragraph 3 (g) of the Treaty, concerning the division of public limited liability companies, the Eleventh Council Directive (89/666/EEC) concerning disclosure requirements in respect of branches opened in a Member State by certain types of company governed by the law of another State, the Twelfth Council Company Law Directive (89/667/EEC) on single-member private

limited-liability companies, and Council Directive 86/653/EEC on the coordination of the laws of the Member States relating to self-employed commercial agents.

TRANSITIONAL AND FINAL PROVISIONS

§ 6. (Renumbered from § 1, SG No. 63/1994) This Act shall come into force on 1 July 1991 and shall supersede Chapters One and Two, and Article 65, Paragraph 4 of Decree No. 56 on Economic Activity (promulgated in the State Gazette No. 4/1989, corrected in No. 16/1989; amended and supplemented in Nos. 38, 39 and 62/1989, Nos. 21, 31 and 101/1990, Nos. 15 and 23/1991, corrected in No. 25/1991).

§ 7. (Renumbered from § 2, SG No. 63/1994) State-owned and municipal firms registered under Decree No. 56 on Economic Activity shall continue their activities under the hitherto effective provisions until they are transformed into companies pursuant to Articles 61 and 62 of this Act.

§ 8. (Renumbered from § 3, SG No. 63/1994) (1) The effect of the registration of firms created under Decree No. 56 on Economic Activity shall continue with the following amendments by operation of law:
1. the sole proprietorship shall be considered sole trader. The name under Article 59 shall be added to the registered business name, if missing;
2. the collective and partnership citizen firms shall be considered general partnerships. The required addition under Article 77 shall be added to the registered business name;
3. the limited liability firm shall be considered limited liability company. The designation "limited liability firm" or "LLF" in the name shall be replaced by "limited liability company" or "LLC." The firm’s manager shall become the company’s managing director by operation of law;
4. the joint-stock firm shall be considered joint-stock company. The designation "joint-stock firm" or "JSF" in the name shall be replaced by "joint-stock company" or "JSC." The functions of the firm’s manager shall be assumed by the company’s management board;
5. the unlimited liability firm, which has not issued shares, shall be considered limited partnership. The designation "unlimited liability firm" or "ULF" in the name shall be replaced by "limited partnership" or "LP";
6. the unlimited liability firm, which has issued shares, shall be considered partnership limited by shares. The designation "unlimited liability firm" or "ULF" in the name shall be replaced by "partnership limited by shares" or "PLS."
(2) The foregoing paragraph shall be applied accordingly to foreign and joint firms in the country incorporated under the procedure of Chapter Five of Decree No. 56 on Economic Activity.

§ 9. (Renumbered from § 4, SG No. 63/1994) (1) The persons conducting business pursuant to Council of Ministers Decree No. 35 of 1987 (State Gazette No. 48/1987) and the ordinances issued pursuant thereto, who shall be merchants within the meaning hereof, shall register within 6 months after the coming into force hereof.
(2) The time limit under Paragraph 1 shall be deemed observed, if the respective application is submitted prior to its expiration.