Business Reorganisation Assessment

Slovak Republic

European Bank
for Reconstruction and Development

Special thanks to:

Allen & Overy LLP

Majerník & Miháliková Law Firm

Part A

General Information

Macro Data

5.440	2.5%	US$ 26,710	€ Euro – EUR	15-21%	4.8%	5.9%
Population (million)[1]	GDP growth rate[1]	GDP per capita[1]	Currency	Corporate tax rate[2]	Inflation rate[1]	Unemployment rate[1]

Insolvency Legislation

The primary legislative texts governing insolvency and restructuring proceedings for legal entities and entrepreneurs in the Slovak Republic are **Act No. 7/2005 Coll. on Bankruptcy and Restructuring** (the Insolvency Law) dated 9 December 2004, as amended, and **Act No. 111/2022 Coll. on Preventive Restructuring** (the Preventive Restructuring Law), as amended and effective since 17 July 2022, which has transposed the **Directive (EU) 2019/1023** (the Restructuring Directive) on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and governs the insolvency of legal entities only.

Relevant secondary legislation includes the **Act No. 8/2005 Coll. on Insolvency Practitioners** (the Law on Insolvency Practitioners) as amended, and the Regulation 2015/848 on Insolvency Proceedings (recast) adopted on 20 May 2015, which is directly applicable in all EU member states (except Denmark) and, as such, the Slovak Republic, and which governs the coordination of cross-border insolvency proceedings within the EU.

[1] **IMF – Source as of March 2024:** www.imf.org/en/Countries/SVK

[2] **PWC – Source as of 28 November 2023:** taxsummaries.pwc.com/slovak-republic/corporate/taxes-on-corporate-income

Insolvency Data

Certain data on insolvency and reorganisation proceedings along with all documents relating to the proceedings are available in the **Insolvency Register** managed by the **Ministry of Justice** of the Slovak Republic. The **Insolvency Register** is an electronic public administration information system in which data on insolvency proceedings is published. The platform is publicly available free of charge. As of 10 April 2024, there were 3,217 ongoing insolvency proceedings and 59 ongoing reorganisation proceedings. **Statistics** on the duration of insolvent liquidation and reorganisation proceedings are also available in the Insolvency Register. Based on these statistics, judicial reorganisation proceedings can last from less than three months to more than five years.

Company Information

The Slovak company law framework is governed mainly by the **Commercial Act No. 513/1991 Coll**. and the **Civil Code No. 40/1964 Coll**. The **Commercial Register**, created in 1992, is maintained by the Ministry of Justice. It acts as a portal in which all the information about individual entrepreneurs and legal entities is centralised from the local district registers. Searches can be made by providing the business name, the registered seat, or the registration number of an entrepreneur or a legal entity. The website allows registered entities to be searched free of charge. The Commercial Register also contains certain information on the status of a business and whether it is subject to an insolvency or public preventive restructuring procedure. Business and corporate documents of individual entrepreneurs and legal entities are accessible in the **List of Deeds**. Any party can request a copy of a document recorded in the List of Deeds, subject to the payment of a fee.

Source: statistics of the Ministry of Justice

	Petitions accepted by courts in 2020	Petitions accepted by courts in 2021	Petitions accepted by courts in 2022	Petitions accepted by courts in 2023[3]	Petitions accepted by courts in 2024 (until 10 April 2024)
Insolvent Liquidation Proceedings	335	493	488	336	90
Restructuring Proceedings[4]	25	25	30	12	5

[3] Data for 2024 is subject to confirmation by the Ministry of Justice. At the time of publication (July 2024) there was no available official data on the use of the Preventive Restructuring Law, which entered into force in September 2023.

[4] The numbers include only data on the use of the insolvent restructuring procedure and do not cover the newly introduced preventive restructuring proceedings under the Preventive Restructuring Law. There will be no official published data on the use of the private preventive restructuring procedure.

Insolvency Courts, Regulatory Authorities and Practitioners

Following a reform of the judiciary aimed at increasing the efficiency of individual courts and judges through legal specialisation, the structure of the Slovak courts and their names and locations have changed, effective as of 1 June 2023. In the context of insolvency proceedings, the only applicable change relates to courts in Bratislava and Košice, where the city courts hear insolvency proceedings instead of the district courts. District courts, which are courts of first instance, located in Trnava, Trenčín, Nitra, Žilina, Banská Bystrica, and Prešov remain the competent venues to oversee insolvency proceedings in those regions. The jurisdiction of the court in relation to legal entities is determined by the location of the registered office of the company and, in relation to natural persons, including entrepreneurs, by the place of main residence.

The Ministry of Justice is the main regulatory body responsible for regulating insolvency proceedings and for insolvency legislative frameworks. The **Insolvency Register**, overseen by the Ministry of Justice, contains a list of more than 606 licensed professionals and companies that provide insolvency practitioner services in the Slovak Republic. The insolvency practitioner (known as the administrator or the trustee) can be either a natural person or a legal entity (Article 2 of the Law on Insolvency Practitioners). The Insolvency Register list displays the proceedings in which insolvency practitioners have participated together with the details of the relevant court. The list is divided into a section on reorganisation administrators, a section on insolvency practitioners for legal persons, and a section on insolvency practitioners for natural persons (Article 20). The Ministry of Justice administers the entry examination for insolvency practitioners, pursuant to the Law on Insolvency Practitioners. Prospective insolvency practitioners must have a Master's degree in law or economics and at least three years of practice in one of those fields.

Continue to Part B

Part B

Business Reorganisation

Are there any incentives to conduct reorganisation?

There are no specific incentives, tax or otherwise, to conduct a reorganisation procedure. The Slovak Republic has not introduced any new early warning tools described in Article 3 of the Restructuring Directive to help businesses to detect circumstances that could give rise to a likelihood of insolvency and signal to them the need to act without delay. However, a debtor is obliged to take steps to prevent insolvency (Article 4(1) of the Insolvency Law) and has a statutory obligation to apply for entry into insolvency proceedings if it meets the requisite insolvency criteria. It cannot waive this obligation by commencing a preventive restructuring procedure.

In preventive restructuring, the debtor does not automatically enter formal insolvency proceedings if the preventive restructuring fails. The debtor may continue to do business and find measures to resolve its financial difficulties if it meets the statutory criteria outlined in Article 10(2) of the Preventive Restructuring Law (as opposed to formal restructuring within main insolvency proceedings where the debtor is insolvent and automatically goes into insolvent liquidation if the formal restructuring fails).

Any debt written off in preventive restructuring is treated as a tax expense for creditors and benefits from income tax exemptions. This could be an incentive for creditors to support the debtor in undergoing preventive restructuring. There are no similar tax incentives for the debtor. There is limited possibility for conversion of insolvent liquidation proceedings into formal restructuring proceedings. If formal insolvency proceedings are ongoing, the debtor may request the competent court to stay the proceedings if it proves that an insolvency practitioner appointed by the debtor is preparing an expert opinion on the restructuring of the debtor's debts. The court will stay the insolvency proceedings for 60 days, after which it will either continue insolvency proceedings resulting in liquidation of the debtor or commence formal restructuring proceedings (Article 16(2) of the Insolvency Law).

What is the nature and purpose of the reorganisation procedure(s) for businesses?

Under the Slovak insolvency framework, there are two main reorganisation procedures: the newly introduced preventive restructuring procedure (preventívna reštrukturalizácia) for legal entities that are not yet cash flow insolvent or in a restructuring or insolvency proceeding under the Preventive Restructuring Law, and the judicial reorganisation procedure (reštrukturalizácia) under the Insolvency Law for legal entities and entrepreneurs.

Preventive restructuring may be conducted by means of a private preventive restructuring procedure, or a public preventive restructuring procedure (the focus of this profile). The main difference between the two procedures is that the private preventive restructuring can be agreed outside of court between one or more creditors, supervised either by the National Bank of Slovakia or an equivalent foreign regulator, while public preventive restructuring is overseen by the court.

There are no special reorganisation procedures for strategically important businesses. Click **here** for a high-level overview of the preventive restructuring and formal restructuring procedures.

Preventive restructuring procedure

Preventive restructuring is an early intervention procedure (i.e., to solve impending bankruptcy or imminent insolvency) for debtors who are experiencing financial difficulties but are still able to operate as a going concern and who are not yet technically insolvent. The aim of this procedure is to avert the potential insolvency of a debtor, i.e. a situation when, taking into account all of the circumstances, it can be reasonably assumed that the debtor may become cash flow insolvent within the next 12 calendar months (Articles 1 and 4 of the Preventive Restructuring Law).

The objective of the procedure is to avoid insolvency at an early stage and to offer flexibility to the debtor. The early protection mechanism (dočasná ochrana)[5], which was previously available under the Act No. 420/2020 Coll (the Slovak Temporary Protection Act) as a separate procedure, has now been fully replaced by the relevant provisions of the Preventive Restructuring Law and can be granted by the competent court as part of the public preventive restructuring proceedings if the relevant statutory conditions are met, as outlined in Article 17 of the Preventive Restructuring Law. These conditions include: i) the agreement of the majority of creditors, calculated in accordance with their unaffiliated claims; or ii) the agreement from at least 20 per cent of all creditors, counted by their unaffiliated claims, provided that the draft plan does not entail a partial discharge or acknowledgment of partial unenforceability exceeding 20 per cent of the value of any creditor's claim and the deferral of payment for any claim does not exceed one year.

References to Articles are to Articles of the Insolvency Law, unless specified otherwise. For an explanation of technical terms, please see the **Glossary of the Main Assessment Report**

[5] The purpose of early protection under the Slovak Temporary Protection was to create a time-limited framework for protection against creditors and support debtors in financial difficulty to enable them to continue in business, thus avoiding dismissal of employees, and bringing a higher recovery rate for creditors (Article 1 of the Slovak Temporary Protection Act).

Judicial reorganisation procedure

The aim of judicial reorganisation is to resolve the insolvency of the debtor and to ensure both the gradual satisfaction of the debtor's creditors in the manner agreed upon under the restructuring plan, as well as the continuation of the debtor's business operations (Article 108). Insolvency under the Insolvency Law occurs when a debtor is unable to repay at least two of its liabilities towards more than one creditor for a period of more than 90 days post-due-date. The feasibility of the restructuring must be supported by an expert opinion prepared by an insolvency practitioner (also known as the restructuring administrator) before the filing of the petition. The outcome of the restructuring proceedings is a restructuring plan that is approved by relevant majorities of the creditors (and in some circumstances, also by the shareholders) and confirmed by the court. Commencement of insolvency proceedings take effect upon publication in the Commercial Gazette of the decision announcing the commencement of insolvency proceedings (Article 18).

To what extent is the court involved?

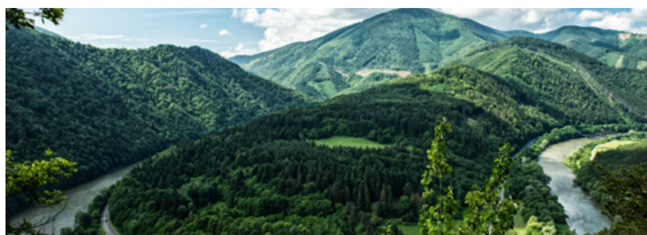
Preventive restructuring procedure

In public preventive restructuring proceedings, the court is involved in initiating the proceedings, approving the plan, and protecting creditors' interests. In a public preventive restructuring procedure, the court authorises the commencement of the procedure if the debtor is in imminent insolvency and there is no other obstacle, such as the existence of statutory reasons for dissolving the debtor, the debtor being in insolvency proceedings (whether of a restructuring or liquidation nature), ongoing enforcement proceedings or the enforcement of security against the debtor, failure of the debtor to keep proper accounting, or the debtor taking other measures frustrating its financial stability and failing to remedy their consequences (Article 10(2) of the Preventive Restructuring Law).

Once the proceedings begin, the court approves the proposed plan and decides, among other matters, on temporary protection measures (Article 11(2)). During the public preventive restructuring procedure, the court supervises the administrator's activities and the debtor's business activities. When exercising its supervision role, the court considers the interests of creditors and any information asymmetry between creditors and debtors (Article 23). There is no express role for alternative dispute resolution (e.g., mediation) as part of the procedure. There is no court involvement in private preventive restructuring proceedings, which are overseen by the National Bank of Slovakia or an equivalent foreign regulator.

Judicial reorganisation procedure

Compared to the public preventive restructuring procedure, judicial reorganisation is court intensive. The court issues a resolution on the commencement of the reorganisation procedure if all statutory conditions are met (Article 113 of the Insolvency Law). Once the formal procedure is opened, the court has the statutory obligation and right to supervise the activities of the debtor, the insolvency practitioner, and the creditors' bodies. The court can demand explanations or reports on the restructuring from the insolvency practitioner. For the restructuring plan to be effective, it needs to be confirmed by the court (Article 151). The court will reject the plan if, among other matters, it does not preserve equality of creditors, is materially in conflict with the common interests of creditors and does not satisfy the claims sufficiently (Article 154). There is no express role for alternative dispute resolution (e.g., mediation) as part of the procedure.



Does the debtor remain in possession?

Preventive restructuring procedure

In a public preventive restructuring procedure, the debtor remains in possession but if insolvency occurs the debtor should consider appointing a professional advisor or consultant. Once the public preventive restructuring has been accepted by the court, the court can also appoint a trustee or consultant to supervise the debtor and its operations throughout the public preventive restructuring. The appointment is not necessary unless: i) the court has also granted the debtor temporary protection (moratorium) as part of the public preventive restructuring; ii) the appointment of a trustee was proposed by the debtor or by the majority of its creditors; or iii) based on the concept of the plan, there are good reasons to believe that a particular class of creditors impacted by the public preventive restructuring would not approve the plan, necessitating the debtor's request for a court order to approve the plan in place of the approval of such creditors. When choosing and using a consultant, the debtor shall consider the expertise of the consultant and is obliged to carefully consider the recommendations and reservations of relevant creditors (Article 3 of the Preventive Restructuring Law).

A separate body is the creditors' committee, whose members are appointed by the court without undue delay after the public preventive restructuring is commenced. The court shall designate the members of the creditors' committee to ensure that it includes the relevant creditors, and that secured and unsecured creditors are adequately represented in it. The competence of the creditors' committee includes (without limitation): i) determining the actions of the debtor that are subject to the approval of the creditors committee, and approving such actions; ii) determining the actions of the debtor that are subject to the approval of the designated advisor; and iii) giving consent to the debtor to obtain crisis funding (Article 32). If temporary protection is granted, the creditors can decide which actions of the debtor are subject to the approval of the insolvency practitioner, and the debtor's power of decision is

limited to the ordinary course of business. Any legal acts of the debtor made during the public preventive restructuring that provide an advantage to a creditor that is not anticipated by the public plan are null and void (Article 33).

Judicial reorganisation procedure

Yes, the debtor remains in possession of its assets and continues operating its business. However, restructuring proceedings can only be commenced if an insolvency practitioner has prepared an opinion recommending the restructuring. The debtor is under the supervision of the court, the insolvency practitioner, and the creditors (Article 130 of the Insolvency Law). An insolvency practitioner, chosen at random by a court computer system, shall be appointed by the court in the decision that commences the restructuring procedure (Article 116). The legal acts of the debtor during the restructuring procedure are subject to the consent of the insolvency practitioner, in accordance with the powers of the practitioner determined by the court in the resolution on opening the proceedings.

The insolvency practitioner can be given a broader mandate to approve legal acts by the creditors' committee. However, if the debtor enters into a legal act during the procedure without the consent of the insolvency practitioner, even though it was required, the validity of the legal act is not affected.

The insolvency practitioner, who is either appointed by the debtor or by the debtor's creditors, with the consent of the debtor, must prepare an opinion for the purpose of determining whether the conditions for the debtor's restructuring are met in an impartial manner using professional care. The parties who instructed the insolvency practitioner to prepare the opinion must provide the insolvency practitioner with the required cooperation, including access to all documents, information and explanations required for the proper preparation of the opinion (Articles 108 and 109). The insolvency practitioner appointment terminates on the publication of the resolution of the court on termination of the reorganisation procedure unless the restructuring plan provides otherwise (Article 156).

Who are the parties and what is the content of the plan?

Preventive restructuring procedure

The parties of the plan are the debtor, the creditors (including secured creditors, unsecured creditors, creditors which are related parties (as defined by law), and subordinated creditors), and the shareholders (Article 37 of the Preventive Restructuring Law). The debtor is the only party entitled to propose a public preventive restructuring. The plan, which shall be attached to the application, must contain the elements described by Article 36 of the Preventive Restructuring Law, which divides the plan into an introduction, a descriptive part, and a binding part, and lists the annexes which need to be attached. The plan must contain a description of affected creditors, contingent affected creditors (including any guarantor, co-debtor, or other person whose claim against the debtor arose after the relevant date) and unaffected creditors (Article 27(2)).

The preventive restructuring plan excludes some creditors. Unaffected creditors not included in the plan comprise: employees of the debtor; small creditors with a claim of no more than €500; small creditors with less than 10 employees, annual sales and assets of less than €2 million, and a claim of up to €5,000; disputed creditors who are not related to the debtor; creditors with a non-monetary claim; the tax administrator; and the customs authority as a creditor (Article 27(3)). The plan must also contain a description of how to deal with current shares or issue new shares (including any potential debt to equity swaps) and a description of the creditor that provides new financing and/or new capital along with the terms under which this new financing and/or new capital is granted.

The plan may involve the following measures: the reduction in part of the face value of creditors' claims (partial write-off); the reduction of applicable interest; the rescheduling of debt payments; the extension of any debt maturities; changes to security or collateral; the restructuring of the debtor's property (in particular the sale, transfer or encumbrance of property) or part of the debtor's business; the restructuring of the debtor's capital structure (in particular the sale, transfer or issuing new

shares, e.g., debt to equity swaps); the restructuring of the payroll; the restructuring of the management and control of the debtor; and, generally, any other restructuring measures aimed at averting insolvency and ensuring the viability of the business (Article 35).

Pursuant to the Preventive Restructuring Law: a related party of a legal entity includes: a) members of the statutory body, senior employees, procurators, or members of the supervisory board; b) individuals or legal entities with a significant ownership stake in the legal entity; c) individuals or legal entities associated with those mentioned in category b); d) close relatives of individuals mentioned in categories a) to c); and e) other legal entities in which the legal entity or individuals mentioned in categories a) to d) hold a significant ownership stake. A related party of a natural person encompasses close relatives and legal entities in which the natural person or their close relatives hold a significant ownership stake.

Judicial reorganisation procedure

The parties to the reorganisation plan are the creditors who have lodged their claims or, where applicable, shareholders of the debtor. The plan mainly contains a description of the debtor and an assessment of its business activity, together with an analysis of the conditions under which the operation of the enterprise or at least part of it can be preserved. The plan further describes the criteria for classifying the individual claims into the creditor groups created in the plan for the purpose of voting on the acceptance of the plan, including for each group a general comparison of the legal position and the degree of satisfaction of the claims along with the reorganisation tools that will be used. This is the basis for the fulfilment of the plan and the satisfaction of the creditors' claims and, in some cases, also the treatment of the property rights of the shareholders or members of the debtor. On confirmation of the plan by the court, the plan is binding on all plan participants including dissenting creditors (Articles 132 and 135).

The plan may involve the following measures: the reduction of the face value of creditors’ claims, the restructuring of the debtor business or property, including the substantial transfer of business or assets of the debtor, the restructuring of the debtor’s capital structure (in particular, the issuance of shares or equity interests e.g., debt to equity swaps), and, generally, other restructuring measures aimed at averting insolvency and ensuring the viability of the business.

Is there any applicable stay or moratorium?

Preventive restructuring procedure

Yes, in a public preventive restructuring procedure, the court can grant temporary protection for a period of three months after the court has approved the restructuring. The protection is granted under following conditions: i) if consent is obtained from a majority of creditors (calculated based on the amount of their unrelated claims); or ii) if consent is received from at least 20 per cent of all creditors (calculated based on the amount of their unrelated claims), and in the draft plan partial waiver or recognition of partial unenforceability does not exceed 20 per cent of any creditor’s claim and the deferral of payment of any claim does not exceed one year. If temporary protection is granted, the debtor is protected against the execution and enforcement (as well as the restructuring or amendment) of any existing pledges. During this period, affiliated claims cannot be set off, and pre-existing financing arrangements cannot be terminated due to a breach of any financial covenants. Temporary protection may be extended for an additional three months, but the total duration of the stay cannot exceed six months (Articles 17 to 22 of the Preventive Restructuring Law).

Judicial reorganisation procedure

Yes, after the commencement of insolvency proceedings, there is an automatic stay of individual court or administrative enforcement proceedings in respect of the claims of unsecured creditors and an automatic stay of enforcement actions by individual secured creditors, without any exceptions (Article 114). If the court orders the reorganisation, any ongoing proceedings by unsecured creditors are automatically terminated. There is also an automatic stay on any court or arbitration proceedings regarding claims that need to be filed in the reorganisation (Article 118).

Is business continuity protected?

Preventive restructuring procedure

Yes, through the support for new financing and restrictions on enforcement of contracts by third parties. If temporary protection is granted by the court, the debtor may accept a so-called “crisis” financing with the consent of the creditors’ committee, for the purpose of ensuring the proper operation of its business. Such crisis financing is limited to the total amount of funds provided, which may not exceed the range of six monthly average operating expenses of the debtor for the previous calendar year. If the crisis financing is secured, it may either be secured with available collateral or enjoy priority over unsecured claims against the debtor (Article 21 of the Preventive Restructuring Law).

Funds from crisis financing may only be used for the purposes of ensuring the proper operation of the debtor's business during the temporary protection period and cannot be used to re-finance debt. Additionally, if the debtor defaulted before temporary protection was awarded, there are restrictions on the ability of creditors to take enforcement action. Specifically, a creditor is prohibited from ending a contract with the debtor, withdrawing from it, refusing to perform its obligations, or altering the terms of its rights or obligations for the duration of the temporary protection. Moreover, the creditor is not allowed to revoke any financing arrangements made with the debtor before the granting of the temporary protection by the court on the grounds that the debtor has not complied with the financial covenants. If the public preventive restructuring proceedings end with the confirmation of the plan, any new financing or crisis financing is protected against future transaction voidance. Such financing cannot be determined later to be invalid, challengeable, or unenforceable (Article 46(6)).

During the temporary protection period granted by the court, third-party termination clauses are prohibited. This means that the contracting party cannot terminate the contract, withhold performance, or modify the terms of the contract due to the debtor's delay that occurred before the temporary protection was granted. Similar contractual provisions with comparable effects are also disregarded. However, this protection does not apply if the other party's continued performance of the contract would significantly jeopardise their business operations or if the performance is not strictly necessary to maintain the debtor's business operations (Article 20(7)).

If restructuring measures include the reorganisation of human resources, the plan must, among other matters, describe how information will be provided to employees and their representatives. This shall include matters relating to the termination of employment and the alteration of working conditions or terms of employment (Article 36(3)(g)). The effects of temporary protection do not apply to existing or future employment-related claims of employees (Article 20(10)).

Judicial reorganisation procedure

Yes, business continuity is protected through the support for new financing and restrictions on enforcement of contracts by third parties. The reorganisation plan may contain a provision for new financing or loans. Such new financing enjoys a priority ranking, but only over unsecured creditors and not secured creditors or preferred creditors (Article 141). There is no reference in the law to interim financing, which may be required to meet the liquidity needs of the business during the proceedings.

Additionally, any contractual provisions or stipulations allowing a third party to terminate or rescind an agreement with the debtor due to judicial reorganisation proceedings are ineffective. Furthermore, after the commencement of such proceedings, contractual counterparties may not terminate or rescind an agreement with the debtor due to the debtor’s default in any payment or performance that the other party became entitled to before the commencement of the reorganisation proceedings. There are no specific provisions in the legislation regarding essential contracts (Article 114).

Does the law recognise separate classes of creditors for voting purposes?

Preventive restructuring procedure

Yes. In a public preventive restructuring procedure, creditors are divided into the following classes or groups: i) secured creditors; ii) unsecured creditors; iii) creditors of claims which qualify as related-party; iv) subordinated creditors; and v) shareholders. Each of the groups is to be treated equally in compliance with the rule of proportionate satisfaction of the creditors (Article 37 of the Preventive Restructuring Law).

Judicial reorganisation procedure

Yes. Under this procedure, creditors are divided into separate groups for secured claims and unsecured claims for voting purposes. These groups can be further subdivided by the party submitting the plan, so that the claims of creditors with the same economic interests, mainly as regards the amount, legal grounds, or security of their claims, can be included in separate groups based on these criteria. If some claims are to be unaffected by the plan, a separate class for unaffected claims will also be created in the plan. The plan must always establish a separate group for each secured creditor, where it can be expected (acting with professional care) that the collateral securing such a claim will be sufficient for at least partial satisfaction of such secured claim unless the affected secured creditors agree with the different set-up of the groups. This gives each secured creditor an effective veto on the plan unless otherwise agreed.
A separate group for shareholders shall be created if their rights may be affected by the plan and a separate group for subordinated creditors shall be created if such creditors exist (Article 137).

What are the majorities required to approve a reorganisation plan?

Preventive restructuring procedure

The public preventive restructuring plan must be approved by the affected creditors. Specifically, the plan must be approved by: i) each group of secured creditors; ii) each group of unsecured creditors with a majority of 75 per cent calculated according to the amount of claims; iii) each class of unsecured creditors with a majority counting only those creditors whose claims exceed one per cent of the aggregate claims of the voting creditors in that class; iv) each group of affiliated creditors and subordinated creditors with a simple majority, calculated according to the amount of claims; and v) shareholders with simple majority (Article 42 of the Preventive Restructuring Law).

If any group does not consent to the plan, the debtor is entitled to request that the court consents to the plan on behalf of any non-consenting group of creditors. Thus, cross-class cram down is available. The court shall permit such cross-class cram down if the plan was approved by more than half of the classes and at least one of these classes was a class of secured creditors, or if the plan was approved by at least more than half of the classes which, in the best-case alternative scenario, could be satisfied at least partially. The court shall permit cross-class cramdown of the dissenting group of creditors only if the plan treats this group at least as favourably as any other group of the same class and more favourably than any group of subordinated creditors, and no group under the public plan shall receive more than its original consideration (Article 43). Once the plan is approved by the court, it is binding on the debtor and on all creditors listed in the list of creditors (Article 46).

Judicial reorganisation procedure

The reorganisation plan is approved by the following majorities: i) in each class of secured creditors, a simple majority of creditors by value, i.e., no threshold of majority consent by number is contemplated; ii) in each class of unsecured creditors, a majority by number of voting creditors with an ascertained number of claims that are higher than one per cent of all ascertained claims in the respective class(es) and where the votes of such creditors exceed the majority of the votes of voting creditors calculated according to the ascertained value of their claims; iii) in each class of shareholder claims, a simple majority of votes of voting shareholders, counted according to the number of their votes (a claim of €1 equals one vote for the respective creditor); and iv) an overall simple majority of all creditors by value attending the creditors' meeting to approve the plan (Article 148 of the Insolvency Law).

However, any dissenting classes of creditors may be subject to cross-class cram down. The plan may still be approved by the court and binding on all classes of creditors, notwithstanding the fact that certain classes of creditors vote against the plan if, overall: at least a majority of classes voted in favour of the adoption of the plan by the required majority; and a simple majority of creditors present voted in favour of the adoption of the plan, according to the ascertained amount of their claims (Article 152). The request to the court for cross-class cram down should be made by the party submitting the plan. The court shall ensure that the dissenting classes are not put in a less favourable position by the adoption of the plan compared to the situation in which they would have been without a plan. Any class of creditors not affected by the plan is deemed to have consented to the plan. The same applies to any class where no creditors have voted because they were absent (Article 148).

What is the timeframe for the reorganisation procedure and any moratorium?

Preventive restructuring procedure

In the preventive restructuring procedure, within 10 days of receiving the full application for (public) preventive restructuring, the court must decide whether to approve the request (Article 11 of the Preventive Restructuring Law). The debtor must create a list of all creditors and submit it with the application so that creditors may evaluate it and request updates or deletions within 30 days of approval of the plan (Articles 29 and 30). If the court approves the opening of preventive restructuring proceedings, the debtor shall call an information meeting to be held no earlier than 15 days and no later than 20 days after the proceedings are opened (Article 31 of the Preventive Restructuring Law). The debtor must then call a creditors' meeting no sooner than 60 days and no later than 70 days after the court's decision approving the opening of preventive restructuring proceedings to vote on the restructuring plan (Article 41). The court can also grant temporary protection for a period of three months after the court has approved the public preventive restructuring (Article 17 of the Preventive Restructuring Law).

With respect to private preventive restructuring proceedings, the debtor must submit the plan for the preventive restructuring to the court for approval within three months of receiving notice that the private proceedings have commenced. The proceedings are immediately terminated if the debtor does not comply with this requirement (Article 52). If the court determines that the plan may be detrimental to the financial interests of the non-participating creditors, the court shall reject the plan. The plan is deemed to be accepted if the court does not reject it within 15 days of its submission (Article 53). After the approval of the plan, both the insolvency practitioner and the court supervise the plan to ensure its successful implementation

The Preventive Restructuring procedure only allows the moratorium for three months with a possibility of extending this by further three months.

Judicial reorganisation procedure

The petition for the declaration of reorganisation can only be made if an insolvency practitioner has prepared a reorganisation opinion and has recommended reorganisation. The reorganisation opinion must not have been prepared more than 30 days prior to the date of filing of the petition for commencement of the reorganisation procedure (Article 111). If the court ascertains that the petition for reorganisation complies with the statutory requirements, it must decide to commence reorganisation proceedings within 15 days from receipt of the petition. Otherwise, it must reject the petition within the same time frame (Article 113). The court must then within 30 days from the commencement of the reorganisation proceedings decide whether to order the reorganisation (Article 116). If the court orders the reorganisation, it will request the creditors to file their claims within 30 days of the court order (Article 121).

A filed claim can be contested only by the insolvency practitioner within 30 days from the date on which the period for filing of claims lapses (Article 124). After the reorganisation has been ordered, the insolvency practitioner will convene a creditors' meeting within 30 days, so that the meeting takes place no earlier than 30 and no later than 45 days since the date on which the period for contesting claims lapses (Article 126). The final draft of the reorganisation plan must be submitted to the creditors' committee for its approval within 120 days from the ordering of the reorganisation. The creditors' committee may extend this period by an additional 60 days (Article 143). After the adoption of the plan, its implementation is supervised by both the court and the insolvency practitioner.

In practice, reorganisation proceedings should take between six to nine months. The moratorium on the commencement of the proceedings lasts until the conclusion of the proceedings and publication of the decision of the court on the confirmation of the plan in the Commercial Bulletin.

There is no fixed time frame for the moratorium.

Does the insolvency legislation facilitate cross-border insolvency?

Yes, cross-border insolvency provisions are included in Part V of the Insolvency Law. As a member of the European Union, the Slovak Republic is subject to Regulation (EU) 2015/848 on insolvency proceedings, which governs the coordination of cross-border insolvency proceedings within the EU. There are no relevant bilateral treaties on judicial cooperation in civil proceedings with any non-EU Member States.

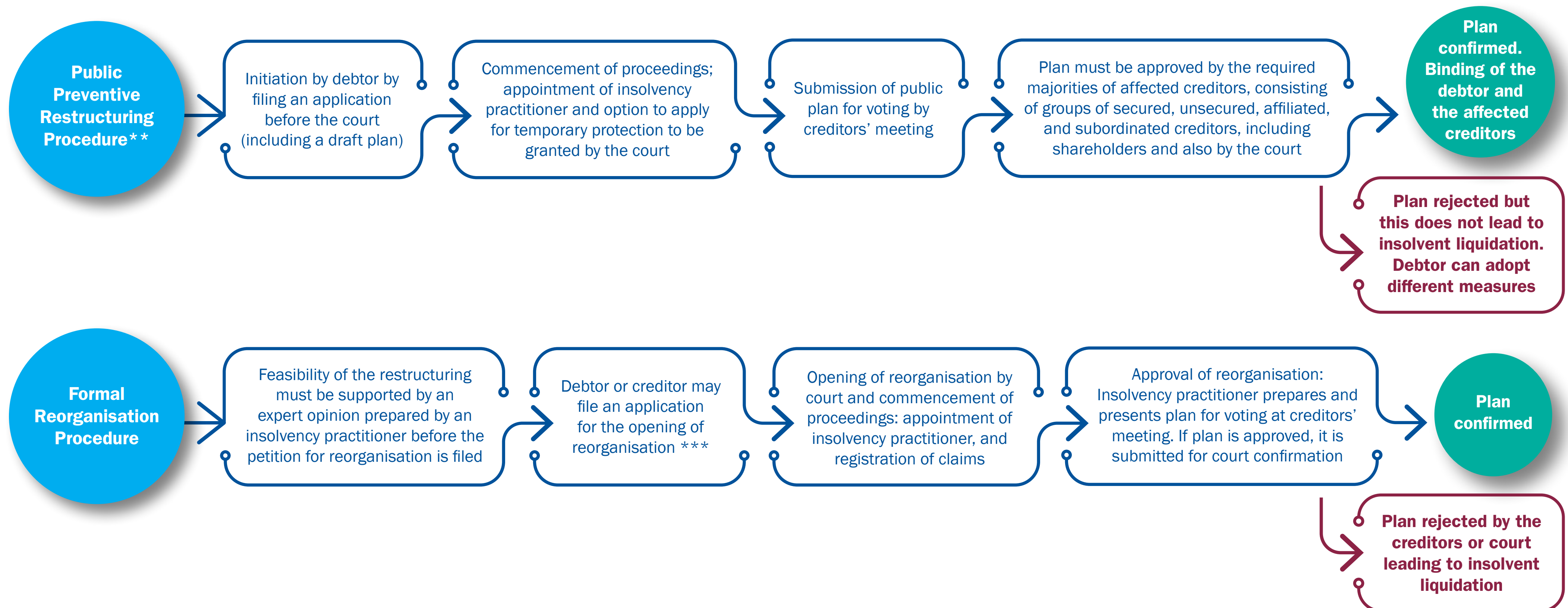
The Slovak Republic has not officially adopted any of the UNCITRAL Model Laws (see below).

Model Law	Official enactment
UNCITRAL Model Law on Cross-Border Insolvency (1997)	✖
UNCITRAL Model Law on Recognition and Enforcement of Insolvency-Related Judgments (2018)	✖
UNCITRAL Model Law on Enterprise Group Insolvency (2019)	✖

Are there any special provisions for (M)SMEs?

No, there are no specific provisions for (M)SMEs.

Overview of Slovak Republic's Preventive Restructuring and Business Reorganisation Procedures*



* This provides a high-level overview of relevant procedures. See the commentary in this profile, the Preventive Restructuring Law and the Insolvency Law for further details, including with respect to any applicable moratoria and creditor voting thresholds.

** The procedure is available to debtors who are in imminent insolvency. There is also the option of private preventive restructuring proceedings which are conducted confidentially out of court.

*** Creditors are allowed to appoint the insolvency administrator and to petition for reorganisation, but this requires substantial cooperation from the debtor and the debtor's consent.

Contact

Catherine Bridge Zoller
Senior Counsel
Legal Transition Team
European Bank for Reconstruction & Development
LTTRestructuring@ebrd.com

© European Bank for Reconstruction and Development, 2024

All rights reserved. Reproduction and dissemination of material contained in this publication for educational or other non-commercial purposes are authorised without any prior written permission from the copyright holders, provided the source is fully acknowledged and a notification is sent to: **LTTRestructuring@ebrd.com**.

The contents of this publication reflect the opinions of individual authors and do not necessarily reflect the views of the EBRD.

Terms and names used in this report to refer to geographical or other territories, political and economic groupings and units, do not constitute and should not be construed as constituting an express or implied position, endorsement, acceptance or expression of opinion by the European Bank for Reconstruction and Development or its members concerning the status of any country, territory, grouping and unit, or delimitation of its borders, or sovereignty.

15250/0524 Designed by Red Rocket Graphic Design | **www.redrocket.co.uk**

European Bank
for Reconstruction and Development