Business Reorganisation Assessment

Uzbekistan

European Bank
for Reconstruction and Development

Special thanks to:

Centil Law Firm

Dentons Tashkent

GRATA International, Uzbekistan

Foreign Investors Council under the President of the Republic of Uzbekistan

Part A

General Information

Macro Data

36.75	5.2%	US$ 2,670	so'm Uzbekistani so'm – UZS	15% (several sectors 20%)	11.6%	7.9%
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 text governing insolvency and restructuring proceedings of legal entities and entrepreneurs is the **Law on Insolvency** No. ZRU-763 (the Insolvency Law) dated 12 April 2022. In addition, Uzbekistan has adopted a special **Law on the Rehabilitation of Agricultural Enterprises** No. 535-I dated 25 December 1997 (as amended) and a regulation **On the Procedure for the Operation of a Special Account for the Reorganisation of the Company being Reorganised**, No. 1636 (the Regulation) dated 7 July 2006. Separate provisions on the insolvency of banks licensed to carry out banking activity in Uzbekistan are contained in the regulation **On the Procedure and Terms of Issuing a Licence to Carry out Banking Activities** No. 3252 dated 1 October 2020 (as amended) adopted by the Central Bank of the Republic of Uzbekistan. The activities of insolvency practitioners are regulated by the Resolution of the Cabinet of Ministers of Uzbekistan **On Measures to Organise the Activities of Court Receivers** No. 765 (the Court Receivers Law) dated 12 September 2019.

Insolvency Data

The authority responsible for collecting insolvency data is the Supreme Court of Uzbekistan. Some insolvency-related data is available on the web site of the **Business Entity Registration Module**. From 1 January 2023 to 25 December 2023, the economic courts reported 12,891 cases related to the insolvency of companies (including the judicial rehabilitation, the external management procedures, and the amicable agreement, but not the pre-judicial rehabilitation procedure). The economic courts have reported 7,325 insolvency cases in 2020, 10,108 cases in 2021 and 9,238 cases in 2022[3]. Economic courts' reports for insolvency cases can be found **here**. However, there is no data on the number of reorganisation cases within main insolvency proceedings. The list of bankrupt state-owned enterprises can be found **here**. Additionally, information regarding the insolvency of specific companies can be found on the Government web site **here** and on the State Asset Management Agency of the Republic of Uzbekistan web site **here**.

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

[2] **PWC – Source as of April 2024:** taxsummaries.pwc.com/republic-of-uzbekistan/corporate/taxes-on-corporate-income

[3] As confirmed by the SAMA.

Company Information

The Uzbekistan corporate law framework is mainly governed by the **Civil Code of the Republic of Uzbekistan**, which has been effective since 1 March 1997, with subsequent amendments. The applicable legislation depends on the legal form of the corporate entity. Further, the **Law on Joint Stock Companies and Protection of Shareholders' Rights** No. ZRU-370 dated 6 May 2014 (as amended) applies to the joint-stock companies, and the **Law on Limited Liability and Additional Liability Companies** No. 310-II dated 6 December 2001 (as amended) applies to limited and additional liability companies.

Legal entities are registered (both in person and online) on the **Electronic Public Interactive Governmental Services of Uzbekistan Business Entity Registration Module** (EPIGU BEM). The EPIGU BEM provides notifications regarding the reorganisation of legal entities and announcements about voluntary and involuntary liquidated legal entities which are available **here**. To search the database, the taxpayer identification number (TIN) of the search subject is required. The Unified State Register of Business Entities and Taxation, a comprehensive online repository, is accessible through the EPIGU BEM portal. It consolidates information about different legal entities including their legal status, ownership details, tax identification numbers, and other relevant details. This register enables users to obtain official information about registered entities and their tax-related particulars free of charge. The TIN serves as a key to validating information about legal entities and the data is continuously updated in real-time.

Insolvency Courts, Regulatory Authorities and Practitioners

The economic courts of the Republic of Uzbekistan have jurisdiction over all insolvency cases. Jurisdiction is determined by the debtor's legal seat of operations (i.e., within the territorial jurisdiction of the relevant court). The regulatory authorities responsible for the insolvency framework are the Cabinet of Ministers and the **State Asset Management Agency of the Republic of Uzbekistan** (the SAMA). The SAMA is a government agency founded in 2019 and is responsible for implementing national insolvency regulation and for the monitoring and supervision of insolvency practitioners. The SAMA is an authorised state body under the Insolvency Law and can initiate insolvency proceedings against a debtor whose charter fund (authorised capital) includes a state share and/or has outstanding monetary obligations to the Republic of Uzbekistan (Article 29 of the Insolvency Law).

Insolvency practitioners in Uzbekistan must be certified by the SAMA and their names entered into the Unified Register of Insolvency Practitioners maintained by the SAMA (Article 22 of the Court Receivers Law). Insolvency practitioners certified by the SAMA are appointed by the economic court (Article 28). The certification requirements include, among other things, higher education, relevant management experience, and passing an examination. The examination content is prepared by the SAMA and is based on a training programme developed by the Abu Rayhan Beruni Graduate School of Business and Management along with the Association of Insolvency Practitioners of Uzbekistan. The public register of insolvency practitioners can be found on the SAMA's web site. According to the web site data, there were 67 insolvency practitioners as of December 2023[4].

Continue to Part B →

[4] As confirmed by the SAMA.

Part B

Business Reorganisation

Are there any incentives to conduct a reorganisation?

No, there are no specific incentives to encourage the debtor and its creditors to reach an extrajudicial voluntary agreement on financial restructuring, although agreements between debtors and creditors are listed among the measures that a debtor's management and shareholders may take during pre-judicial rehabilitation (Article 34 of the Insolvency Law).

A debtor does not need to go through a reorganisation procedure before it can enter an insolvent liquidation procedure. However, Article 51 provides that, as part of its review of an insolvency case, the court can issue a decision to initiate a judicial reorganisation procedure or an external management procedure. The choice between reorganisation and liquidation procedures typically depends on the specific circumstances of the debtor and the assessment made by the court regarding the most appropriate course of action. Furthermore, if neither the judicial rehabilitation nor the external management procedures have been initiated, and there are sufficient grounds during the liquidation proceedings (including grounds confirmed by financial analysis) to believe that the debtor's solvency can be restored, the liquidation manager must convene a creditors' meeting within one month of such grounds being identified. At the meeting, creditors will consider whether to file a petition with the court to terminate liquidation proceedings and convert such proceedings into external administration proceedings (Article 157).

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**

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

There are four types of reorganisation procedures or options under the Insolvency Law: the pre-judicial rehabilitation procedure, the judicial rehabilitation procedure, the external management procedure, and the amicable agreement. **Click here** for a high-level overview of the Uzbekistan business reorganisation framework.

Pre-judicial rehabilitation procedure

The pre-judicial rehabilitation procedure (suddan oldin sanatsiyalash) is carried out prior to the application submitted to the court for the initiation of insolvency proceedings (Article 30 of the Insolvency Law). The purpose of the pre-judicial rehabilitation procedure is financial rehabilitation of the debtor through the adoption of measures by the debtor, its governing body, and its creditors to prevent insolvency and the need to apply for the opening of main insolvency proceedings. (Article 32). The main measures that can be adopted during the procedure are the full or partial repayment of overdue debts to the company by shareholders, the deferral of payments, the reduction of debts and the write-off of claims, along with new financing from creditors. The pre-judicial rehabilitation procedure may also be conducted with the government's support with approval from the SAMA (Article 34). To initiate a pre-judicial rehabilitation procedure, the head of the debtor, who may be a general director or director (an executive of the company similar to a CEO) and to whom certain functions are delegated by the charter of the company, must inform its shareholders, its management bodies and the owner of the debtor's property (if the debtor is a state enterprise) in writing.

Reorganisation procedures within main insolvency proceedings

The other three reorganisation options are accessed within main insolvency proceedings. These can be initiated by the debtor, its creditors, the state tax authorities, or the SAMA and its territorial departments (Article 7 of the Insolvency Law). Main insolvency proceedings may lead to the liquidation of the debtor's estate, to the approval of a rehabilitation or external management plan, or an amicable agreement.

Insolvency proceedings can be commenced if the appropriate grounds are established. Article 5 provides that there are two indicative signs of insolvency: i) temporary insolvency, where the debtor has been unable to satisfy its creditors' claims for monetary obligations or fulfil its obligations for taxes and fees for three months as of the date of application to the court, or for six months for "city-forming and equivalent enterprises" (i.e. businesses or organisations that have at least 3,000 employees and that play a significant role in shaping the development and functioning of a city or urban area); and ii) permanent insolvency, where a debtor's debts are greater than the total value of its assets. A debtor enters permanent insolvency when it applies for court intervention, and during specific reporting periods (at the beginning of the current year, or the previous year if the application is made in the first quarter of the year). In essence, permanent insolvency is where the debtor's financial obligations consistently outweigh their assets, indicating a prolonged state of insolvency.

The judge decides whether or not to accept an application to initiate an insolvency case against a debtor no later than five days from the date of receipt of the application (Article 46). Once the proceedings have begun, the court should review the case within two months. In exceptional cases this can be extended by one month. Following the commencement of the insolvency proceedings, the court appoints an insolvency practitioner (temporary manager) and establishes a supervision period of up to one month. The supervision period enables the court and the creditors to decide whether there are reasons to believe that solvency can be restored (and a rehabilitation or external management plan can be devised), whether amicable agreement is possible, or if liquidation seems the only remaining option.

Judicial rehabilitation procedure

The purpose of the judicial rehabilitation procedure (sud sanatsiyasi) is restoration of the debtor's solvency and repayment of debts to the creditors, without transferring the powers to manage the debtor's property and business operations to a rehabilitation manager. The decision to commence the procedure can be taken within main insolvency proceedings by the first creditors' meeting (Article 90 of the Insolvency Law)

upon the request of the debtor, its shareholders, the SAMA, or third parties providing security. If the creditors have not approved the launch of any procedure in the first meeting, the court can initiate judicial rehabilitation based on a request from the debtor's shareholders, owners of debtor's property, or any third parties, if they can provide security for the repayment of debts in accordance with the suggested debt repayment schedule (Article 92). A rehabilitation plan and a debt repayment schedule should be attached to the application submitted to the court. The rehabilitation plan must describe how the debtor intends to secure the funds necessary to meet the claims in accordance with the debt repayment schedule (Article 93). The rehabilitation plan may include measures for the sale of a business or part of the debtor's property. The debt repayment schedule should, in contrast, set out the terms for satisfaction of all creditors (Article 100). The court can launch the external management procedure following the completion of the judicial rehabilitation procedure provided the overall term of both procedures does not exceed 30 months (Article 108).

External management procedure

The external management procedure (tashqi boshqaruv) is also aimed at restoring the debtor's solvency and involves transferring the powers to manage the debtor's property and business operations to an external manager. The decision on commencing the procedure within main insolvency proceedings can be taken by the first creditors' meeting (Article 91 of the Insolvency Law). Depending on the petition of the creditors' meeting, the court may either the introduce external management procedure or declare the debtor bankrupt and initiate the liquidation procedure (Article 106). Where the state has a share in the debtor, the court may also commence the external management procedure based on an application from the authorised state body. The external management procedure will only be opened if there is a real possibility of restoring the debtor's solvency (Article 108).

The creditors' meeting approves the candidacy of an external manager, which may be proposed by any of the creditors or an authorised government body (Article 111). Within one month of appointment by the court, the external manager must develop an external management plan and submit it for approval to the creditors' meeting (Article 122). The plan must include measures to restore the debtor's solvency, including the closure of unprofitable branches or segments of the business, the sale of part of the debtor's property, or the sale of the debtor's business (Articles 123 and 125).

Amicable agreement

An amicable agreement (kelishuv bitimi) between the debtor and its creditors can be reached at any stage of the insolvency proceedings (i.e., during any of the judicial rehabilitation, external management or liquidation procedures) and has the effect of terminating any insolvency proceedings (Article 161 of the Insolvency Law). The amicable agreement is not a procedure, but an option within insolvency proceedings, and the Insolvency Law only regulates the formalities for reaching an agreement. A decision to adopt an amicable agreement can be made by the creditors' meeting following the opening of insolvency proceedings and once all the costs of the proceedings and the salaries of the employees have been paid (Articles 165 and 167).

The Insolvency Law also introduced separate provisions on the specifics of insolvency and different procedures for city-forming and equivalent enterprises (see above), agricultural enterprises, banks, insurers, professional participants of the securities market, and developers participating in shared construction projects (as defined within the law) (Chapter 13). In cases regarding the insolvency of city-forming or equivalent enterprises, the parties to the agreement will be the relevant local government body and any corresponding ministry, department, or economic management authority.

To what extent the court is involved?

Pre-judicial rehabilitation procedure

The pre-judicial rehabilitation procedure does not involve the court (Article 31 of the Insolvency Law).

Judicial rehabilitation procedure, external management procedure and amicable settlement

Yes, all reorganisation procedures under the Insolvency Law, except the pre-judicial rehabilitation procedure, are fully court-supervised. There are no hybrid reorganisation procedures under the Insolvency Law. The assessment of any reorganisation plan is mainly conducted by the creditors, with courts not usually involved in this process. Insolvency cases with respect to city-forming and equivalent enterprises, agricultural enterprises, banks, insurers, professional participants of the securities market and developers participating in shared construction projects, can also involve the relevant local government authorities, ministries, state committees, departments or economic management bodies. The Insolvency Law does not provide any provisions on alternative dispute resolution means for insolvency-related cases.

Does the debtor remain in possession?

Pre-judicial rehabilitation procedure

Yes, the debtor remains in possession throughout the pre-judicial rehabilitation procedure.

Observation period

Yes. However, during this period, there are certain limitations on the management of the company, e.g. certain transactions (such as letting or pledging real estate, concluding large transactions, receiving and granting loans, or providing guarantees and sureties) require the approval of the temporary manager (an insolvency practitioner appointed by the court). The debtor is also precluded from taking certain decisions, such as corporate reorganisation or liquidation, payment of dividends, or issuing bonds (Article 81 of the Insolvency Law). A temporary manager is appointed by the court from among candidates proposed by creditors, an authorised government body, or a public association of insolvency practitioners (Article 82). The primary duties of the temporary manager include conducting the creditors' meeting and monitoring the company's assets.

Judicial rehabilitation procedure

Yes. However, the court can dismiss the head of the debtor if a petition is filed by the creditors' meeting, the providers of any security for the fulfilment of the debtor's obligations, or the rehabilitation manager, which contains information about the failure or improper performance by the head of the debtor of the plan of judicial rehabilitation or about the commission of actions (or inactions) that violate the rights and legitimate interests of the debtor, creditors, providers of security, or management. In these cases, the court may assign the performance of the duties of the head of the debtor to the rehabilitation manager. The rehabilitation manager requires consent from the creditors' meeting or the creditors' committee to take decisions on the reorganisation (merger, accession, division, separation or transformation) or on the liquidation of the debtor (Article 98 of the Insolvency Law). The distinction between the creditors' meeting and the creditors' committee lies in their decision-making authority. The creditors' meeting is responsible for major decisions such as approving amicable agreements and initiating insolvency proceedings, while the creditors' committee oversees the actions of insolvency administrators, calls meetings and approves significant debtor transactions. Certain transactions (such as letting or pledging real estate, concluding large transactions, granting loans, or providing guarantees and sureties) require the approval of the creditors' meeting. The debtor is precluded from taking decisions on corporate reorganisation or liquidation without the approval of the creditors' meeting (Article 96).

The rehabilitation manager is responsible for reviewing the debtor's reports on the implementation of the rehabilitation plan and debt repayment schedule and providing the results of the review to the creditors' meeting, among other things. The rehabilitation manager is appointed by the court following a request by the creditors' meeting or by the providers of security for the performance of obligations (Article 97).

External management procedure

No. Once the procedure is initiated by the court, all functions related to management of the debtor are transferred to the insolvency practitioner appointed by the court (known as an external manager) (Article 109 of the Insolvency Law). If the amount of monetary obligations that arose after launching the external management procedure exceeds 20 per cent of the debts owed to the creditors, the external manager requires the approval of the creditors' meeting in order to make new transactions (unless these are covered by the external management plan) (Article 120).

The creditors' meeting suggests an external manager to the court. The candidacy of an external manager may be proposed to the creditors' meeting by any of the creditors or an authorised government body (Article 111). The external manager manages the debtor's business subject to the creditors' oversight. Large transactions and transactions in which there is a vested interest of an external manager, or a creditor, require the consent of the creditors' meeting or the creditors' committee (Article 118).

Amicable agreement

The amicable agreement does not affect whether the debtor remains in possession since it is an option within insolvency proceedings and is not a separate procedure. Once an amicable agreement is approved by the court, the powers of the insolvency practitioner appointed by the court (the temporary manager, rehabilitation manager or external manager) are terminated. The insolvency practitioner manages the debtor's business until new management is appointed or elected (Article 166 of the Insolvency Law).

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

Pre-judicial rehabilitation procedure

Secured or preferred creditors are not required to participate in the pre-judicial rehabilitation procedure. The procedure permits the following reorganisation mechanisms: a) the reduction of applicable interest; b) the rescheduling of debt payments; c) the extension of any debt maturities; and d) the reduction in the value of the claims, including the cancellation of any debts. The Insolvency Law does not provide for debt-to-equity swaps. However, a debt-to-equity conversion can be conducted via Article 34 Part 2 of the Insolvency Law, if the debtor and its creditors consent to it. There is no maximum time limit by law for the implementation of an approved plan. Where pre-judicial rehabilitation with the provision of state support is introduced, it has a maximum term of 12 to 24 months (Article 35).

Judicial rehabilitation and external management procedures

Under the judicial rehabilitation and external management procedures, both secured and preferred creditors are included. In order to participate and vote in the first creditors' meeting, all creditors must submit their claims within 30 days from the date that the notice of commencement of a monitoring procedure in relation to the debtor is published in the mass media (Article 87 paragraph 1 of the Insolvency Law). The creditors' meeting may also include a representative of the debtor's founders (shareholders), owners of the debtor's property, and a representative of the debtor's employees, but these representatives do not have voting rights (Article 12). While the Insolvency Law does not explicitly define a maximum time limit for approved reorganisation plans, it does establish specific time frames for the reorganisation procedures. For judicial rehabilitation, it should not exceed 24 months (Article 95). The same duration applies to the external management procedure (Article 108). However, both procedures together should not last longer than 30 months (Article 108).

Where a debtor is a joint stock company, the external management plan may provide for the issuance of additional shares to restore the debtor's solvency. This may be included in the external management plan solely at the request of the general meeting of shareholders of the debtor, which must adopt the necessary decision and send it to the external manager no later than six months before the end date of the external management procedure. The decision to increase the authorised capital by issuing additional shares is made by a creditors' meeting. The decision to increase the authorised capital of a joint stock company using accounts payable (through debt-to-equity swaps) is reached by a qualified majority, requiring three-quarters of the votes from shareholders owning voting shares present at the shareholders' general meeting (Article 130). In both the judicial rehabilitation and external management procedures, all of the following reorganisation mechanisms are possible: a) the reduction of applicable interest; b) the rescheduling of debt payments; and c) the extension of any debt maturities (Articles 100 and 125).

Amicable agreement

Under an amicable agreement, both secured and preferred creditors may be included. The Insolvency Law does not provide for debt-to-equity swaps but a reduction on the value of the claims is possible, even for preferred creditors. There is no maximum time limit by law for the implementation of the approved agreement. The amicable agreement may contain the following terms: a) the deferral of performance of monetary obligations by instalments; b) the assignment of the debtor's claims to another party; c) the performance of the debtor's monetary obligations by third parties; d) the cancellation of any debts; e) the modification of terms and procedures for tax payments and fees; and f) the lawful satisfaction of creditors' claims by other means.

Is there an applicable stay or moratorium?

Pre-judicial rehabilitation procedure

No. There is no stay or moratorium applicable to the pre-judicial rehabilitation procedure.

General principles applicable to other procedures

Yes. While the Insolvency Law does not include a provision for a moratorium on any ongoing enforcement proceedings, from the day the court accepts the application for the initiation of insolvency proceedings against the debtor, creditors are not entitled to initiate new enforcement proceedings to seek satisfaction of their claims from the debtor (Article 12). Further, the execution of enforcement documents is suspended from the commencement of the observation period (Article 79). Additionally, creditors are required to submit their claims and supporting documents to the temporary insolvency practitioner (manager) for inclusion in the registry of creditors, evidencing that these claims, including those based on enforcement documents, should be addressed within the insolvency proceedings (Article 87).

Judicial rehabilitation procedure

No. However, from the commencement of the judicial rehabilitation procedure, all current tax payments, excluding those related to wages and equivalent payments, are suspended during the insolvency process and are paid after the completion of the judicial rehabilitation procedure (Article 96). These tax debts must be settled in equal instalments within six months of the court approving the rehabilitation manager's report and the decision to terminate insolvency proceedings. This does not affect the ability of the parties to negotiate or approve an amicable agreement (Article 161). The claims of the creditors are satisfied in accordance with the debt repayment schedule approved by the court. Any claims that were not included in the debt repayment schedule because the creditor was not notified about the commencement of the insolvency proceedings may be added to the debt repayment schedule by resolution of the court (Article 101).

External management procedure

Yes. During this procedure, an automatic moratorium on creditors' enforcement applies to secured and unsecured creditors. The moratorium also suspends any execution against monetary obligations and/or tax duties and fees owed by the debtor which were due before the commencement of the procedure. "Monetary obligations" means the obligation of the debtor to pay the creditor a certain amount of money under a civil law contract, among other grounds. Tax duties and fees are obligatory payments which are paid to the state budget of the Republic of Uzbekistan and/or state trust funds.

The moratorium takes effect at the initiation of the external management procedure (Articles 109 and 110 of the Insolvency Law). The payment of all types of current taxes arising during the insolvency process (except for taxes on wages and equivalent) is suspended and must be paid at the end of the procedure (Article 109). The tax debts must be paid within six months from the date the court approves the report of the external manager and the decision to conclude insolvency proceedings against the debtor. Secured creditors are entitled to request the court to lift the moratorium in respect of specific assets of the debtor where: i) the claims secured by the debtor's property exceed the value of the collateral; ii) there is no protection against a reduction in the value of pledged property; iii) the implementation of the external management plan does not affect claims secured by the debtor's property; iv) measures are required to preserve pledged property, such as in the case of perishable goods; or v) a plan for external management has not been approved within a certain period of time (Article 110).

The length of the moratorium is not set out in the Insolvency Law and needs to be determined by the court. However, it cannot last more than 24 months as this is the maximum possible duration of the procedure itself (Article 108).

Amicable agreement

There is no moratorium or similar restrictions for the amicable agreement. However, as the amicable agreement is negotiated while another procedure is ongoing, any applicable moratorium related to such procedure will apply.

The creditors and the debtors can voluntarily enter into an agreement to suspend certain contractual obligations or enforcement actions. This contractual standstill would be a private agreement between the parties and would not rely on the Insolvency Law to suspend enforcement of the rights of the creditor against the debtor. However, any contractual standstill must comply with all relevant legal requirements and must not conflict with the Insolvency Law or any court-approved plans or schedules.

Is business continuity protected?

Pre-judicial rehabilitation procedure

To a limited extent. The initiation of the pre-judicial rehabilitation procedure does not result in the dismissal of employees. However, there is no protection for essential contracts, since the pre-judicial rehabilitation procedure is based on the consent of the parties, and also on the SAMA's approval when it is conducted with the government's support. Additionally, there is no provision regrading priority of new financing a made available during the procedure.

Judicial rehabilitation and external management procedures

Yes. In both the judicial rehabilitation and external management procedures, there are limitations on the ability of third parties to terminate or suspend performance under a contract with the debtor on the grounds of the opening of either judicial rehabilitation or external management proceedings. A demand for termination of contracts that have not been fully or partially fulfilled may be made if other circumstances exist that impede the restoration of the debtor's solvency, in accordance with Articles 96 and 119 of the Insolvency Law. Contracts that are important for the continuation of debtor's activities, concluded prior to insolvency, must continue to be performed, either by the debtor or the rehabilitation manager. Exceptions to this rule exist only in the cases stipulated by the Insolvency Law.

Furthermore, the rehabilitation manager and the creditors have the right to demand the termination of contracts concluded after the initiation of insolvency proceedings or within 24 months preceding the filing of the insolvency case against the debtor or contracts that have not been fully or partially fulfilled. This includes contracts that have not been fully or partially fulfilled if: i) the execution of the contract would result in losses for the debtor, or violate the rights and legitimate interests of the debtor, creditors, or those providing security for the performance of obligations, compared to similar contracts concluded under

comparable circumstances; ii) the contract is concluded for a period exceeding one year or will only benefit the debtor in the long term; or iii) the contract leads to the preferential satisfaction of the claims of one creditor compared to the claims of other (equally ranking) creditors (Article 96). The external manager has the right to refuse to perform any contracts of the debtor concluded before the initiation of insolvency proceedings, only in relation to contracts that have not been fully or partially fulfilled by all parties, in the presence of one of the following circumstances: i) the execution of the contracts will result in losses for the debtor and/or violate the rights and legitimate interests of the debtor, creditors, compared to similar contracts concluded under comparable circumstances; ii) the contract is concluded for a period exceeding one year or will only benefit the debtor in the long term; iii) the contract leads to the preferential satisfaction of the claims of one creditor compared to the claims of other creditors; or iv) the presence of other circumstances hindering the restoration of the debtor's solvency (Article 119). Commencement of either the judicial rehabilitation or external management procedures does not result in the dismissal of any employees.

Yes, any new financing provided following the commencement of the insolvency proceedings would be a payment that is settled out of turn (Article 126). "Out of turn payments" in the context of Article 150 of the Insolvency Law refers to payments with priority over all creditors whose claims are included in the claims register, including preferred and secured. The new financing stands in equal priority with legal costs, the remuneration of the court receiver, current utility and maintenance payments, expenses for insurance of the debtor's property, and payments to individuals to whom the debtor bears responsibility for causing harm to life or health.

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

Pre-judicial rehabilitation procedure

No, there is no voting process in the pre-judicial rehabilitation procedure.

Judicial rehabilitation and external management procedures

Yes, the Insolvency Law recognises five distinct classes of creditors, as detailed in Article 13 of the Insolvency Law: i) secured creditors, whose claims are secured by collateral; ii) creditors with claims arising from unsecured contracts, supply, work and service contracts, mandatory insurance, and bank facility insurance contracts; iii) creditors concerning taxes and fees; iv) creditors entitled to various forms of remuneration and compensation under employment contracts, alimony payments, copyright contracts' remuneration, and claims arising from criminal or administrative proceedings; and v) shareholders entitled to dividends.

Depending on the issue, only certain classes of creditors have voting rights (Article 13). For both the judicial rehabilitation and external management procedures, the first two classes of creditors vote on the plan: secured and unsecured creditors. A representative of the debtor's employees, the court administrator, and a representative of the shareholders or the owner of the debtor's property participate in the meeting of creditors but do not have any voting rights. When considering the issue of approving a judicial rehabilitation plan and an external management procedure plan, creditors of the first and second classes participate in voting (Articles 100 and 122). In accordance with the provisions of the Insolvency Law, all creditors of the debtor participate collectively in the voting process, i.e. the debtor cannot choose to involve or compromise certain creditor claims.

Amicable agreement

The decision to conclude an amicable agreement on behalf of the creditors must be reached during a convened meeting of creditors. Secured, unsecured and preferred creditors may all vote separately on the amicable agreement (Article 161 of the Insolvency Law).

What are the majorities required to approve a reorganisation plan?

Pre-judicial rehabilitation procedure

There is no collective approval process for a pre-judicial rehabilitation procedure. When the procedure is conducted with the government's support, the SAMA is the only approving entity. It approves the pre-judicial rehabilitation plan following a request submitted by the debtor. The measures adopted during the procedure bind only the consenting parties (Article 32 of the Insolvency Law).

Judicial rehabilitation procedure

For approval of the judicial rehabilitation plan, a majority in number of the weighed votes from the total number of weighed votes is required, for both the first class (secured creditors) and second class (unsecured creditors). Dissenting creditors have a right to receive an amount equal to no less than what they would have received in the case of liquidation of the debtor (Article 100 of the Insolvency Law). If the required majority within each of the two classes is not reached, the creditors' meeting can apply to the court to declare the debtor bankrupt and proceed with its liquidation (Article 100). Interested parties can vote in the creditors' meeting in their capacity as creditors of the debtor but shareholders do not have the same right. Interested parties in relation to a legal entity debtor include: a) legal entities that are the parent or subsidiary of the debtor in accordance with the legislation; b) the executive body of the debtor, as well as individuals who are part of the supervisory board, collegial executive body, chief accountant (accountant), including cases where the employment contract with them was terminated within one year before the initiation of insolvency proceedings; c) founders (shareholders) of the legal entity or owners of the debtor's property (Article 21). The judicial rehabilitation repayment schedule approved by the creditors' meeting and the court binds the debtor, the creditors and participating shareholders and third parties. Any changes to the schedule must be approved by the creditors' meeting (Article 101).

External management procedure

The external management plan is prepared by the external manager and approved by creditors' meeting according to the same rules as for the judicial rehabilitation plan (Article 122). It binds the debtor and its creditors.

Amicable agreement

The approval of all secured creditors and a simple majority of the weighted votes of all creditors are needed for the court to approve an amicable agreement (Article 161). Dissenting creditors may have the ability to challenge the amicable agreement. However, once approved by the creditors' meeting and the court, the amicable agreement binds the debtor, the creditors, and participating third parties (Article 161).

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

Pre-judicial rehabilitation procedure

There is no mandatory time frame for the initiation of the procedure. However, if the state provides support to debtor, the pre-judicial rehabilitation procedure will have a duration of 12 to 24 months (Article 35). Since the procedure is non-judicial, there is no stay or moratorium. The debtor should request the commencement of pre-judicial rehabilitation proceedings before formal insolvency proceedings (Article 32).

Judicial rehabilitation procedure

Judicial rehabilitation proceedings may take up to 24 months (Article 95). The decision on commencing judicial rehabilitation within main insolvency proceedings is made by the first creditors' meeting (Article 90) at the request of the debtor, shareholders, or third-party providers of security. The first creditors' meeting must take place no later than five days before the date of the court session specified in the court ruling on accepting an application for initiating insolvency proceedings against the debtor (Article 88). The insolvency case must be considered at a court hearing within a period not exceeding two months from the date of such ruling. In exceptional cases, this deadline may be extended for a period not exceeding one month (Article 50).

Alternatively, if creditors do not approve the motion at the first creditors' meeting, the court can initiate judicial rehabilitation based on a request from the debtor's founders, shareholders, owners or third parties, provided they can provide security for the repayment of the debtor's debts (Article 93). The rehabilitation manager is appointed by the court on the commencement of judicial rehabilitation. The judicial rehabilitation plan cannot exceed the period set forth in the court order opening the judicial rehabilitation proceedings (Article 100). After the adoption of the plan, the court and rehabilitation manager are responsible for the supervision of its implementation. There is no specific provision in the Insolvency Law on the duration of the moratorium. However, given that the moratorium automatically applies from the commencement of judicial rehabilitation, the moratorium should last for its duration.

External management procedure

External management proceedings may take 12 to 24 months unless the Insolvency Law provides otherwise (Article 108 of the Insolvency Law). The court can launch external management following the completion of judicial rehabilitation proceedings, provided the overall term of both proceedings is not anticipated to exceed 36 months. If more than 18 months have passed from the date of commencement of judicial rehabilitation to the date on which the court considers the commencement of external management, the court will declare the debtor bankrupt and start liquidation proceedings (Article 108). There is no time frame provided for the commencement of external management proceedings.

An external manager may be appointed by the court within one month from the commencement of external management (Article 112). Within one month of the appointment of the external manager by the court, the external manager must prepare an external management plan, which is then submitted to the creditors' meeting for approval. If the creditors of each of the first and second groups do not petition the court for approval of the external management plan or if the votes of creditors from one group do not include the required number of votes, the creditors' meeting will file a petition for bankruptcy of the debtor and liquidation proceedings will be adopted (Article 122). However, if the plan is approved by the decision of creditors' meeting , the external manager is responsible for supervision of its implementation (Article 115). The Insolvency Law does not set out the duration of the moratorium. However, given that the moratorium automatically applies from the commencement of external management, the moratorium should last for its duration.

Does the insolvency legislation facilitate cross-border insolvency?

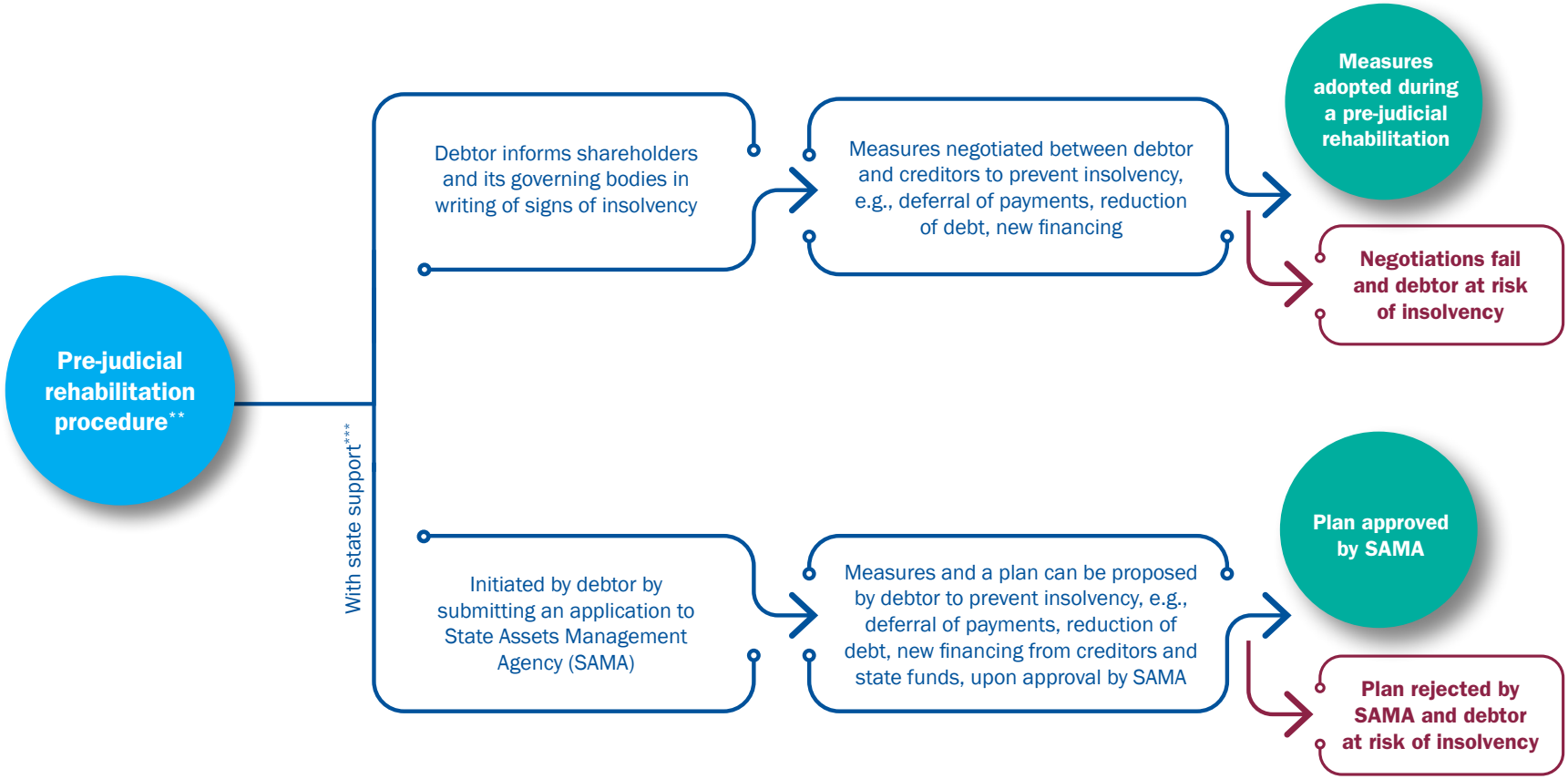
No, the Insolvency Law does not contain any provisions on cross-border insolvency and there are no provisions with respect to cooperation and coordination on fundamental issues, such as recognition and enforcement of moratoria or injunctions and other measures aimed at protecting the debtor's estate. Uzbekistan has not adopted any UNCITRAL Model Laws on insolvency (see below). However, Uzbekistan is a party to several bilateral treaties on judicial cooperation in civil proceedings. These include treaties with the following countries: Azerbaijan, Bulgaria, Czech Republic, Georgia, Latvia, Lithuania, Kazakhstan, Kyrgyzstan, Turkey and Turkmenistan. Therefore, in the absence of any legal framework governing the cross-border insolvency issues, such matters are likely handled in a manner similar to other (non-insolvency-related) cross-border civil-commercial proceedings. Further, the foreign courts' formal decisions, including those pertaining to insolvency proceedings may be recognised and enforced, only to the extent it is expressly required by international treaty or the principle of comity, and in the latter case, such recognition and enforcement may be subject to national law unless otherwise specified.

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.

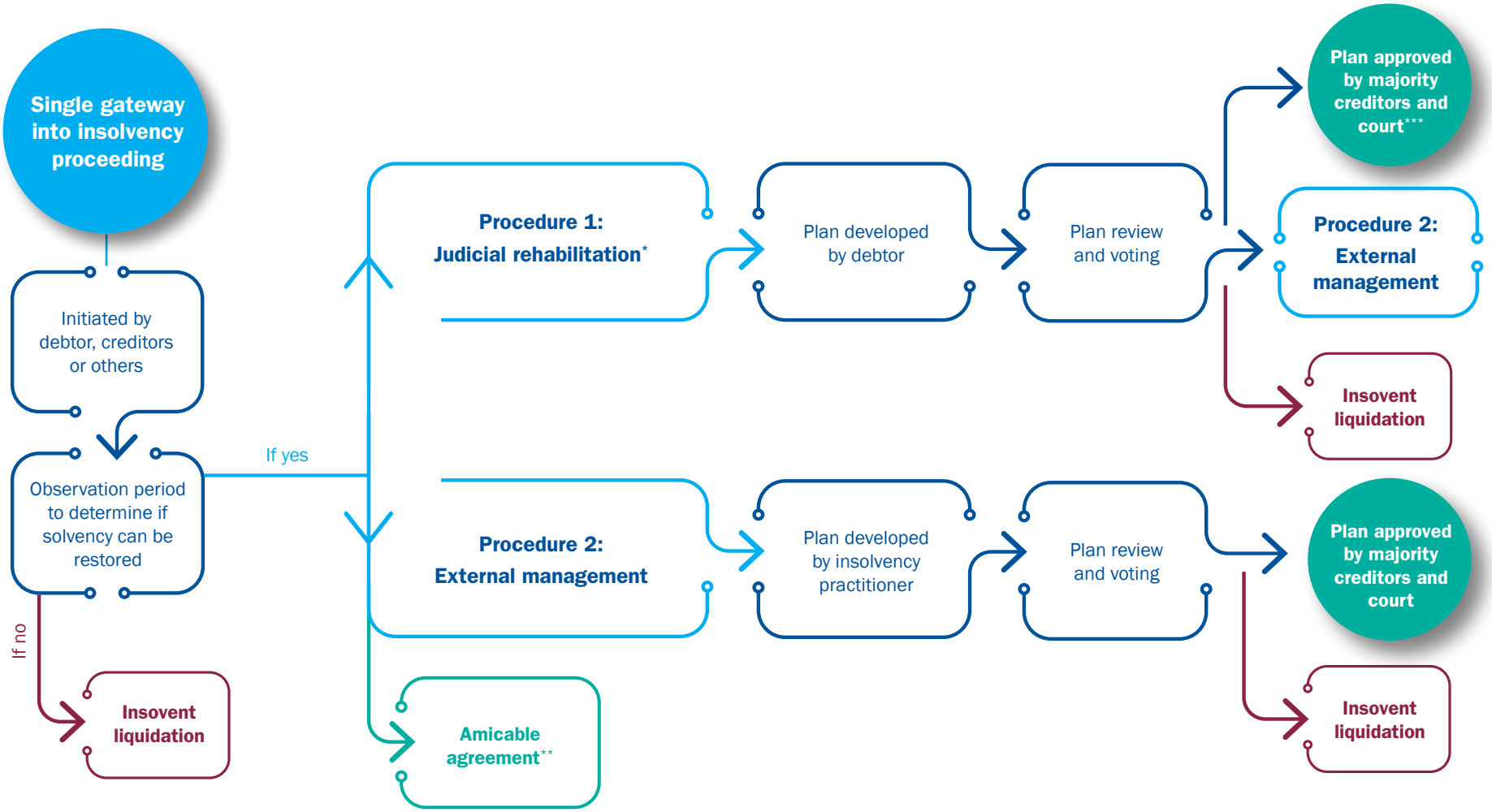
Overview of Uzbekistan Business Reorganisation Procedures*



* This provides a high-level overview of the business reorganisation procedures. See the commentary in this profile and the Insolvency Law for further details, including with respect to moratoria and voting thresholds

** Commencement of pre-judicial rehabilitation does not preclude creditors from petitioning the court to initiate insolvency proceedings

*** In pre-judicial rehabilitation, state support can be provided upon examination by the State Assets Management Agency (SAMA)



* The debtor, shareholders, or third parties can request judicial rehabilitation if sufficient security can be provided to secure the repayment of the creditors' claims

** Amicable agreement can be reached at any stage, i.e. during the observation period or the judicial rehabilitation, external management or liquidation procedures

*** Plan can be approved by the creditors' meeting or the court upon the debtor's/shareholders' request

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